

**City of Alma, Michigan**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2004**



Prepared by:  
Paul T. Borle, Finance Director/Treasurer  
Cynthia A. Michels- White, City Controller

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Alma	County Gratiot
Audit Date June 30, 2004	Opinion Date November 12, 2004	Date Accountant Report Submitted to State: January 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

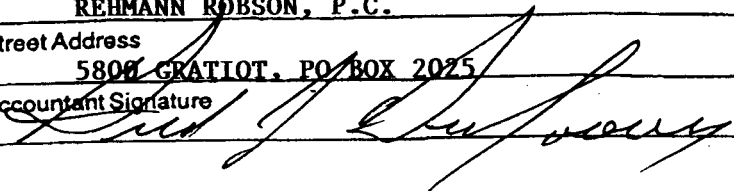
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON, P.C.		GERALD J. DESLOOVER, CPA	
Street Address 5806 GRATIOT, PO BOX 2025	City SAGINAW	State MI	ZIP 48605
Accountant Signature 			

City of Alma, Michigan  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2004

**City Commission**

Melvin Nyman	Mayor
Scott Moes	Vice Mayor
Donald Ayers	Commissioner
Lisa Comer	Commissioner
Michael Legene	Commissioner
Greg Mapes	Commissioner
Jane Walkington	Commissioner

**Other Officers and Officials**

Phillip Moore	City Manager
Paul Borle	Finance Director/Treasurer
Cynthia Michels-White	City Controller
Brian Dancer	City Assessor
Bryan Dinwoody	Library Director
Barbara Gager	City Clerk
Aeric Ripley	DDA Director
Hal Smith	Director of Code Enforcement
Randy Sumner	Transit Director
Ronald Turner	Director of Public Services
David Walsh	Director of Public Safety

City of Alma, Michigan  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2004

**Table of Contents**

	Page Number
<b>INTRODUCTION SECTION</b>	
Title Page.....	1
List of City Commissioners and City Officials .....	3
Table of Contents .....	5
Letter of Transmittal.....	9
Certificate of Achievement for Excellence in Financial Reporting .....	13
Organizational Chart.....	15
<b>FINANCIAL SECTION</b>	
Report of Independent Auditors.....	17
Management Discussion and Analysis .....	19
<b>Basic Financial Statements</b>	
Statement of Net Assets .....	33
Statement of Activities .....	34
Balance Sheet – Governmental Funds.....	36
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	37
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds .....	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities.....	39
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual.....	40
Major Streets Fund Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual.....	42
Statement of Net Assets – Proprietary Funds .....	44
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds .....	46
Statement of Cash Flows – Proprietary Funds .....	48
Statement of Net Assets – Fiduciary Funds .....	50
Statement of Net Assets – Component Units .....	52
Statement of Revenues, Expenses and Changes in Net Assets – Component Units .....	53
Notes to Financial Statements .....	55
Required Supplementary Information – Municipal Employees Retirement System: Analysis Of Funding Progress.....	77
<b>Combining and Individual Fund Statements and Financial Schedules</b>	
<b>Major Governmental Funds</b>	
Warwick/Heather Special Assessment Bond Fund .....	83

**Nonmajor Governmental Funds**

Combining Balance Sheet .....	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balance .....	90
Local Streets Fund Schedule of Revenues, Expenditures and Changes in Fund	
Balance – Budget to Actual .....	93
Alma Fire District Fund Schedule of Revenues, Expenditures and Changes in Fund	
Balance – Budget to Actual .....	94
Housing Improvement Fund Schedule of Revenues, Expenditures and Changes in Fund	
Balance – Budget to Actual .....	95
Public Safety Employees Benefit Fund Schedule of Revenues, Expenditures and Changes in Fund	
Balance – Budget to Actual .....	96
Law Enforcement Fund Schedule of Revenues, Expenditures and Changes in Fund	
Balance – Budget to Actual .....	97
1993 General Obligation Street Improvement Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual .....	98
Alma Building Authority Schedule of Revenues, Expenditures and Changes in Fund	
Balance – Budget to Actual .....	99
Heather/Warwick General Obligation Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual .....	100

**Enterprise Funds**

State Street Plaza Fund Schedule of Revenues, Expenses and Changes in Fund	
Balance – Budget to Actual .....	102
Transit Services Fund Schedule of Revenues, Expenses and Changes in Fund	
Balance – Budget to Actual .....	103
Wastewater Utility Fund Schedule of Revenues, Expenses and Changes in Fund	
Balance – Budget to Actual .....	104
Water Utility Fund Schedule of Revenues, Expenses and Changes in Fund	
Balance – Budget to Actual .....	105
Solid Waste Disposal Fund Schedule of Revenues, Expenses and Changes in Fund	
Balance – Budget to Actual .....	106

**Internal Service Funds**

Combining Statement of Net Assets .....	108
Combining Statement of Revenues, Expenses and Changes in Net Assets .....	109
Combining Statement of Cash Flows .....	110
Administrative Services Fund Schedule of Revenues, Expenses and Changes in Net	
Assets – Budget to Actual .....	111
Building and Grounds Maintenance Fund Schedule of Revenues, Expenses and Changes	
In Net Assets – Budget to Actual .....	112
Equipment Pool and Central Garage Fund Schedule of Revenues, Expenses and Changes	
In Net Assets – Budget to Actual .....	113

**Agency Funds**

Schedule of Changes in Assets and Liabilities .....	115
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**Component Units**

Alma Downtown Development Authority Schedule of Revenues, Expenditures and Changes In Net Assets – Budget to Actual .....	117
Local Development Financing Authority Schedule of Revenues, Expenditures and Changes In Net Assets – Budget to Actual .....	118
Alma Public Library Schedule of Revenues, Expenditures and Changes in Net Assets – Budget to Actual .....	119
Alma Housing Commission Combining Statement of Net Assets .....	120
Alma Housing Commission Combining Statement of Revenues, Expenses and Changes In Net Assets .....	121

**Joint Venture/Joint Operation**

Gratiot Community Airport Statement of Net Assets .....	124
Gratiot Community Airport Statement of Revenues, Expenditures and Changes In Net Assets .....	125
Mid-Michigan Area Cable Communications Consortium Statement of Net Assets .....	126
Mid-Michigan Area Cable Communications Consortium Statement of Revenues, Expenses and Changes in Net Assets .....	127

**Schedule of Indebtedness**

Schedule of Bond and Note Indebtedness .....	131
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**STATISTICAL SECTION**

General Governmental Expenditures by Function .....	135
General Governmental Revenues by Source .....	136
Taxable Property Valuations .....	137
Property Tax Rates – Direct and Overlapping Governments .....	138
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita .....	139
Bond Coverage Water and Sewer Bonds .....	140
Property Tax Levies and Collections .....	141
Ratio of Annual General Bonded Debt Service Expenditures to Total General Expenditures .....	142
Computation of Legal Debt Margin .....	143
Computation of Direct and Overlapping Debt .....	144
Principal Taxpayers .....	145
Construction and Property Values .....	146
Special Assessment Billings and Collections .....	147
Community Profile .....	148

**SINGLE AUDIT**

Independent Auditors' Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards .....	157
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	159
Schedule of Expenditures of Federal Awards .....	161
Schedule of Findings and Questioned Costs .....	162

# CITY OF ALMA, MICHIGAN

525 E. Superior, P. O. Box 278 Alma, MI 48801-0278

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ADMINISTRATION  
989 463-8336

FAX  
989 463-5574

December 10, 2004

Honorable Mayor and Alma City Commission:

It is with great pleasure that we present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. This is the thirteenth CAFR prepared by staff, and the third CAFR prepared using the new reporting model prescribed by the Governmental Accounting Standards Board (GASB) in their Statement 34.

This report has been prepared by the staff of the City of Alma and its management takes full responsibility for the completeness and accuracy for all statements, schedules, notes and analysis. To provide a reasonable basis for making these representations, management has implemented a system of internal controls to protect City assets from theft, loss, or misuse and to compile reliable information for the presentation of our financial statement in conformity with generally accepted accounting principles. The cost of internal controls should not outweigh their benefit; therefore, internal controls have been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

## The Reporting Entity

The Alma area was settled in 1853 along the banks of the Pine River in the center of the lower peninsula of Michigan. In 1872, Alma became a village and in 1905 incorporated as a home-rule city. With a population of 9,275 people, City of Alma is the primary government. In addition to the primary government, this financial report also includes four component units, a joint ventures and a joint operation:

- Alma Public Library,
- Alma Housing Commission,
- Alma Downtown Development Authority,
- Alma Local Development Financing Authority,
- Gratiot Community Airport- a joint venture with Gratiot County, and
- Mid-Michigan Area Cable Communications Consortium, a joint venture with communities in Gratiot, Isabella and Clare Counties.

## Budgeting and Financial Planning

As part of the City's financial planning process, the staff prepares an annual operating budget and six year capital improvement plan (CIP) for City Commission review and adoption. These two documents serve to address the City's strategy for maintaining and improving the health and well being of the community. The budget document provides the financial framework for planning and control, as well as defining the Commission's vision for the future. The CIP details future major capital items and related financial resources which will be required to implement the Commission's long term vision.

The budget process normally begins in January with a City Commission goals setting session. The City Manager is required by charter to present a budget by April 20th. After several work sessions and public hearings, the City Commission adopts the City's budget at the end of May and sets the property tax millage for the new fiscal year. After the close of the fiscal year, the CAFR is prepared to report on the financial condition of the City. Included in the report are budget to actual comparisons of revenues and expenditures. As in prior years, budget to actual comparisons present the original budget and the final budget. Interested citizens are invited to participate in the budget planning process at the goals setting session, work sessions and public hearings.

## **Economic Condition and Outlook**

The State of Michigan's economy is the largest concern for the City's financial well-being. As the State continues to struggle to overcome budget deficits, state revenue sharing, which is the second largest revenue source for the City's General Fund, is in jeopardy of being cut again.

A 15,000 square foot addition and renovation to the library is planned to begin in FY 2005. The citizens of Alma and the surrounding communities have shown their support for this project and their willingness to invest in the City by raising over \$300,000 in private donations.

The extension of Pine Avenue to Cheesman Road is budgeted and under contract for construction in FY2005. Extending Pine Avenue will open more land for residential development. The new middle school is slated to be constructed on the extended Pine Avenue.

The removal and clean-up at the Ultramar Diamond Shamrock site has continued during FY2004. Within three to five years, the site should be cleaned to the point where it can be sold for industrial purposes. This site will be the first sizable industrial property available within the City for several years. There are several features which make this site attractive to industry: it is accessible by railroad and highway, it can accommodate heavy load electricity requirements and it has a high capacity water supply available.

The relocation of Alma Iron & Metal Company and the implementation of the Downtown Waterfront Redevelopment Project are looking like they may finally become a reality in FY 2005. The riverfront location will provide the City with another opportunity for potential development.

## **Fiscal Year 2004 Initiatives**

In spite of the challenges on the revenues side, the City of Alma has had another successful year in providing quality services to our citizens. The foresight of the City Commission in building a healthy fund balance has permitted the City to continue to invest in the infrastructure and capital needs of the City. During FY2004, the City was able to accomplish several significant improvements:

- completed the Charles Avenue water main extension, which extends the water main 1,870 feet north to Warwick Drive,
- replaced water main on Rosedale Street,
- completed Park Avenue road reconstruction from Downie Street to Superior Street,
- substantially completed the process of redrafting the City's zoning ordinance, which is the first phase of implementing the City's Master Plan,
- progressed on the community's long-standing goal to relocate Alma Iron & Metal (AIM) to enable possible development along the river front, which is being provided up to \$900,000 by UDS/Total through a Supplementary Environmental Project (SEP), and
- completed renovation of the Gratiot County Airport terminal building.

## **Future Major Initiatives**

In FY2004, the City laid the groundwork for several future plans and developments. Many of these projects have been highlighted by the City Commission in prior year's goal setting sessions:

- Continue implementation of the City's new Master Plan, which provides the blueprint for future development.
- Construction of new aeration lagoons for the waste water treatment plant.
- Extension of Pine Avenue, including water main and sanitary sewer, from its current terminus to Cheesman Road.
- Construction of the Library Planning Committee's recommended 3.5 million dollar addition to Alma Public Library. The Library has hired an architect to prepare preliminary plans for an expansion. The request for bonding was presented and approved by the voters in August 2004.
- Construction of the Adams Street extension from Ely to Superior.



- Construction of transmission lines from wells 2A & 8 to the water treatment plant to enable the City to move from the use of primarily surface water to the use of primarily ground water at its water treatment plant.
- Acquisition of a 75' Quint Fire Truck.

#### Independent Audit

State statute and the City Charter require an annual financial audit by an independent certified public accountant. The City Commission selected the Rehmann Group, a regional firm providing certified public accounting and auditing services. The audit was designed to meet the requirements of the federal Single Audit Act of 1984, as amended and related OMB Circular A-133. The auditors report on the fair presentation of the financial statements, the internal controls, and compliance with legal requirements.

#### Awards

The Government Finance Officers Association of the United States and Canada (G.F.O.A.) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Alma for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the twelfth consecutive year that the City of Alma achieved this prestigious award.

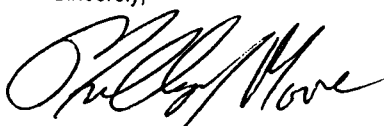
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

#### Acknowledgments

The work of preparing the financial report has required the help and assistance of many people. The staff of the Finance Department in particular has spent many hours working on this project. Cynthia Michels-White, City Controller, deserves special thanks for putting in long hours and stepping up to take on extra responsibility to complete this year's financial report.

In closing, the City of Alma is looking forward to prosperity and growth for its citizens as well as its businesses and industries. The leadership and support of the City Commission remain vital to that goal.

Sincerely,



Phillip J. Moore  
City Manager

Sincerely,



Paul T. Borle  
Finance Director/Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Alma,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



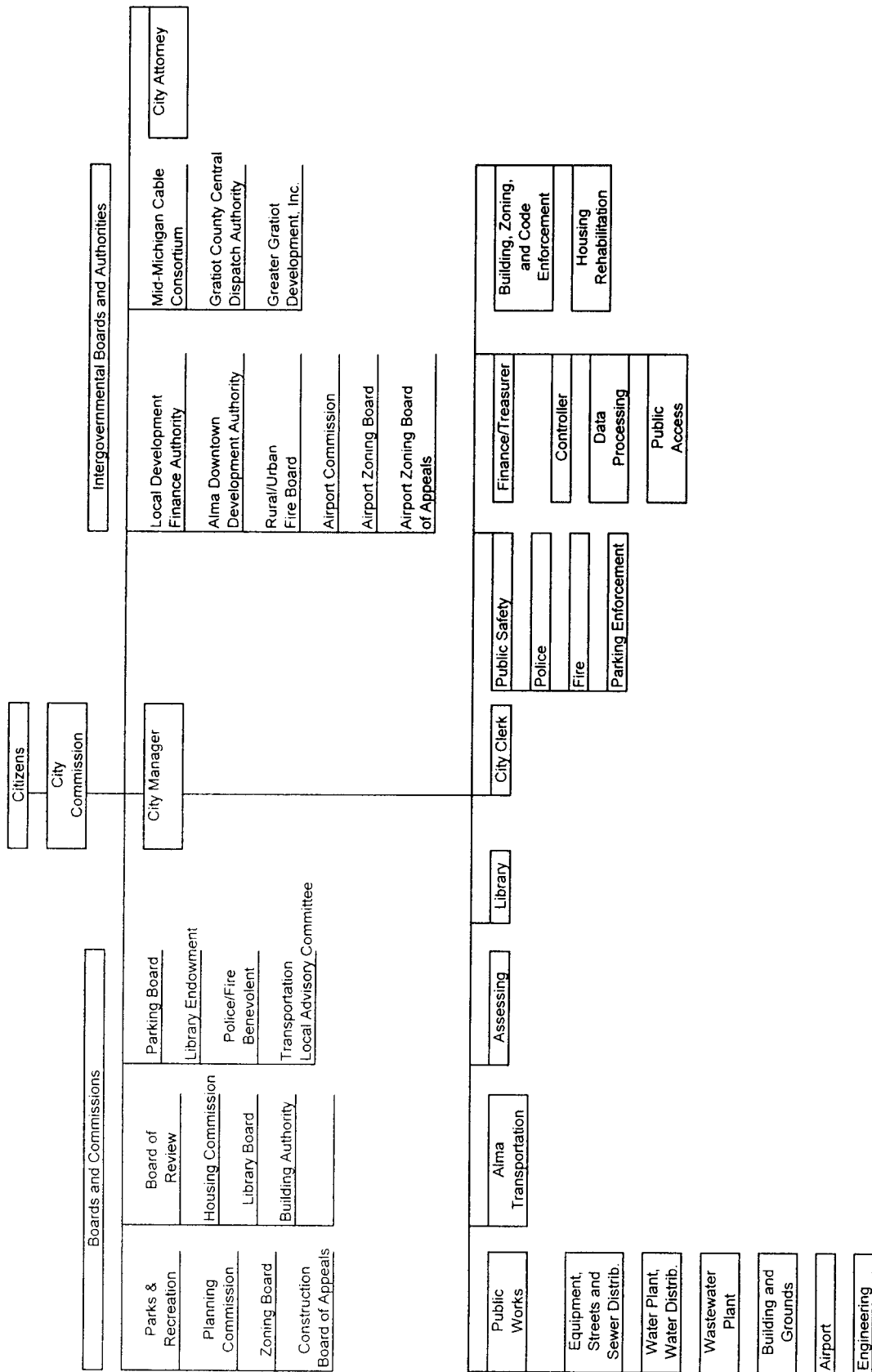
A handwritten signature in black ink, appearing to read "Edward H. Harty".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# City of Alma





**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

November 12, 2004

City Commission  
City of Alma  
Alma, Michigan 48801

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Alma, Michigan*, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *City of Alma, Michigan's* management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Alma, Michigan*, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General and Major Street Governmental Funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004, on our consideration of the *City of Alma, Michigan's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 19 through 30 and the Pension Analysis of Fund Progress on page 77 are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *City of Alma, Michigan's* basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the *City of Alma, Michigan*. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Rehmann Lohman*

City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

1) Financial Highlights

- a) In all material regards, the City of Alma ended the fiscal year in better financial position than it started the year. All budgeted funds ended the year within budget. Overall debt was lower. Net assets increased during the year.
- b) Governmental Activity net assets increased by \$324,314.
- c) Business-type Activities net assets remained basically unchanged - down \$68,417.
- d) Total expenses for governmental activities totaled \$5.4 million.
- e) Total expenses for business-type activities totaled \$3.0 million.
- f) General Fund is healthy and added \$36,445 to fund balance. Year end fund balance for the General Fund was \$3.5 million.
- g) The Water Fund, while still under stress, is improving its financial position.

2) Overview of Financial Statements

a) Overall financial picture

The financial statements provide two views of the City's financial position. On the top level, also called the Government-wide statements, the statements summarize all City funds into one statement using the full accrual method of accounting. This method of accounting is similar to private sector for profit accounting.

i) Statement of Net Assets

The first statement is the *Statement of Net Assets*. This statement provides information on assets, liabilities and the difference between assets and liabilities, which is called net assets. Over time, increases and decreases in net assets can serve a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The *Statement of Net Assets* is similar to a balance sheet in private sector accounting.

ii) Statement of Activities

The next statement is the *Statement of Activities*. Revenues and expenses report the underlying cause of the change in net assets. All changes in net assets are reported as the change occurs. This means the statement includes depreciation on the assets. The statement does not report any capital projects. Capital projects are reported on the *Statement of Net Assets*.

b) Fund focus

Traditional governmental accounting was focused on the individual funds. The funds have not disappeared in the new reporting model. As has been the case in the old financial model, a fund is defined as a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are used to ensure compliance with finance-related legal or regulatory compliance. Funds are classified as either governmental funds, proprietary funds or fiduciary funds.

i) Governmental Funds

Governmental funds are essentially the same as the governmental activities with the exception that internal services are included in governmental activities but are not governmental funds. Governmental funds use a modified accrual basis of accounting. The governmental funds focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources. In the governmental funds statements, the accounting for items such as capital outlay, depreciation, debt payments, and accrued vacation is different than in the government-wide statements. In governmental funds, capital outlay and debt principal are reported on the *Statement of Revenues, Expenditures and Changes in Fund Balance*. Depreciation is not recorded. The rule for reporting accrued

City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

vacation is more restrictive. The *Balance Sheet* for governmental funds does not include any capital assets or long-term debt.

(1) Major Funds

Under G.A.S.B. Statement 34, the focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the City of Alma, the following funds meet this requirement:

- General Fund
- Major Street Fund
- Warwick/Heather Special Assessment Bond Fund

(2) Non-major funds

In the basic financial statements, non-major funds are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the Notes.

ii) Proprietary Funds

Proprietary funds use a full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

Enterprise funds are used to report business like activities. In general, these funds charge a fee for their service. With the exception, of the Transit System, the fee is expected to recover the cost of providing the service. The City of Alma uses enterprise funds for water, wastewater, solid waste, transit and State Street Plaza. All enterprise funds qualify as major funds.

Internal service funds provide services to other city activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle maintenance, building and grounds maintenance, engineering, computers, accounting, and printing. The City of Alma has three internal service funds. They are Building and Grounds, Equipment and Central Garage, and Administrative services.

iii) Component Units

The City of Alma's Comprehensive Annual Financial Report includes four component units. Component units are separate legal entities for which the City of Alma has some level of financial accountability. Component units are shown in a separate column. The City of Alma's component units include the Alma Housing Commission, Alma Public Library, Alma Downtown Development Authority, and Local Development Finance Authority. More information about the component units can be found in the Notes and in schedules behind the notes.

c) Notes to the Financial Statements

Immediately after the basic financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health of the City.

3) Financial Analysis

a) Net Assets

The Statement of Net Assets provides an overview of the City's assets, liabilities and net assets. As mentioned above, over time, this can provide a good indicator of the City's fiscal health. Below is a summarized version of the Statement of Net Assets:

City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

Table A-1  
**City of Alma, Michigan's Net Assets**  
(in millions of dollars)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>FY2004</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2003</b>
Current and other assets	\$ 8.5	\$ 8.4	\$ 4.6	\$ 4.8	\$ 13.1	\$ 13.2
Capital assets	14.0	14.2	4.6	4.6	18.6	18.4
<b>Total assets</b>	<b>22.5</b>	<b>22.6</b>	<b>9.2</b>	<b>9.4</b>	<b>31.7</b>	<b>31.5</b>
Long-term debt	0.8	1.0	0.3	0.4	1.1	1.4
Other liabilities	0.7	0.9	0.2	0.2	0.9	1.1
<b>Total liabilities</b>	<b>1.5</b>	<b>1.9</b>	<b>0.5</b>	<b>0.6</b>	<b>2.0</b>	<b>2.5</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	12.7	13.0	4.2	4.2	16.9	17.2
Restricted	0.8	2.5	0.2	0.1	1.0	2.6
Unrestricted	7.6	5.2	4.3	4.4	11.9	9.7
<b>Total net assets</b>	<b>\$ 21.1</b>	<b>\$ 20.7</b>	<b>\$ 8.7</b>	<b>\$ 8.8</b>	<b>\$ 29.8</b>	<b>\$ 29.5</b>

The total net assets of the City are \$29.8 million. However, \$16.9 million represents investment in capital assets including infrastructure. The single largest item in capital assets is the City's investment in streets. The book value for streets at the end of FY2004 was \$8.3 million. Of the more liquid assets, \$1.0 million is restricted. The City has \$11.9 million in unrestricted net assets. Total net assets increased by \$255,897 in FY2004.

- b) Changes in Net Assets  
i) Governmental Activities Highlights

Table A-2						
<b>Changes in City of Alma, Michigan's Net Assets</b>						
(in millions of dollars)						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
<b>Revenues</b>	<b>FY2004</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2003</b>
Program revenues						
Charges for services	\$ 0.8	\$ 0.6	\$ 2.4	\$ 2.4	\$ 3.2	\$ 3.0
Grants and contributions	1.0	0.7	0.3	0.6	1.3	1.3
<b>General revenues</b>						
Property Taxes	2.4	2.2	0.1	0.1	2.5	2.3
Federal and state contributions	1.5	1.3	-	-	1.5	1.3
Investment earnings	0.1	0.2	0.1	0.1	0.2	0.3
Other	-	0.1	0.0	-	-	0.1
<b>Total revenues</b>	<b>\$ 5.8</b>	<b>\$ 5.1</b>	<b>\$ 2.9</b>	<b>\$ 3.2</b>	<b>\$ 8.7</b>	<b>\$ 8.3</b>



City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

	Governmental Activities		Business-type Activities		Total	
	FY2004	FY2003	FY200	FY2003	FY2004	FY2003
<b>Expenses</b>						
Community development	\$ 0.9	\$ 0.4	-	-	\$ 0.9	\$ 0.4
Community safety	1.7	1.5	-	-	1.7	1.5
Property maintenance	0.4	0.7	-	-	0.4	0.7
Transportation	1.3	1.2	-	-	1.3	1.2
Recreation and cultural services	0.6	0.3	-	-	0.6	0.3
Legislative services	0.1	0.1	-	-	0.1	0.1
Administrative	0.4	0.4	-	-	0.4	0.4
Interest on long-term debt	0.1	0.1	-	-	0.1	0.1
Transit		-	0.6	0.6	0.6	0.6
Wastewater		-	0.9	1.0	0.9	1.0
Water		-	1.0	1.0	1.0	1.0
Solid Waste		-	0.5	0.4	0.5	0.4
<b>Total expenses</b>	<b>5.5</b>	<b>4.7</b>	<b>3.0</b>	<b>3.0</b>	<b>8.5</b>	<b>7.7</b>
<b>Increase in net assets</b>	<b>0.3</b>	<b>0.4</b>	<b>(.01)</b>	<b>0.1</b>	<b>0.2</b>	<b>0.5</b>
<b>Ending net assets</b>	<b>\$ 21.1</b>	<b>\$ 20.8</b>	<b>\$ 8.6</b>	<b>\$ 8.7</b>	<b>\$ 29.7</b>	<b>\$ 29.5</b>

(1) Revenue Sources and changes

Total revenue from all sources totaled \$8.7 million of which \$5.8 million was from governmental activities and \$2.9 million was from business-type activities. The governmental activities received 41% or \$2.4 million from property taxes. Another 25% or \$1.4 million was from unrestricted state shared revenue. Fourteen percent of governmental activities were funded through charges for services.

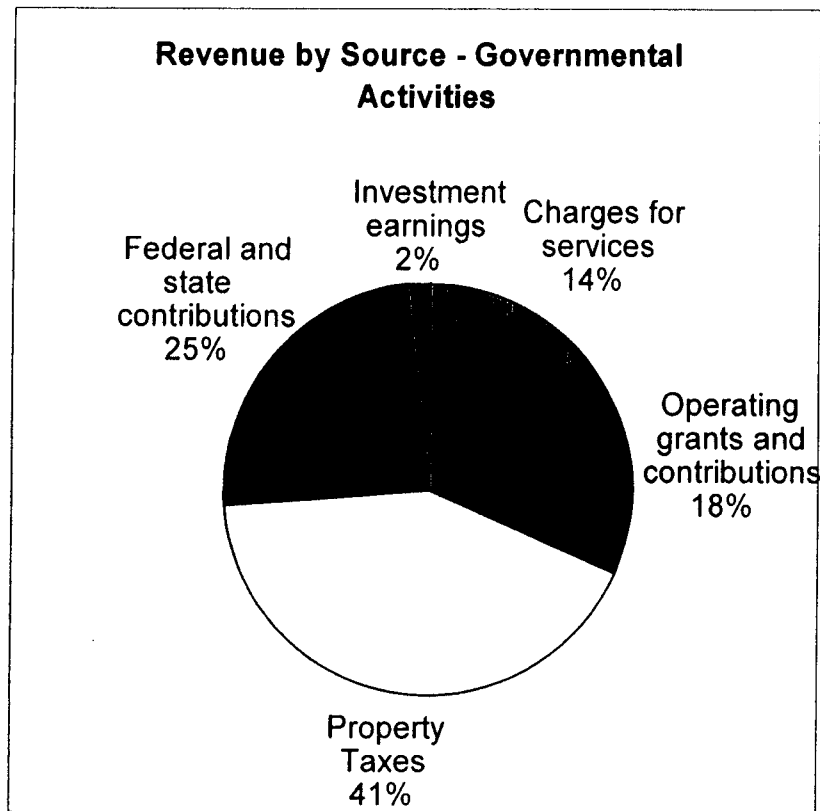
Business type activities receive 81% of their revenue from charges for services. Most of the non-charge for service revenues is received by the Transit Fund in the form of grants and a local millage.

(2) Expense overview

(a) Overall cost

Using a full accrual basis of accounting, the City of Alma spent \$5.5 million on governmental activities. From this perspective, the City depreciates capital assets including infrastructure such as streets and sidewalks. The expenses do not include new capital assets such as rehabilitated streets or new sidewalks. The City spent \$1.7 million on public safety or thirty one percent of the budget. Transportation was the next largest item with \$1.3 million of 22% of the budget. In addition to the \$1.3 million in Transportation expenses, the City of Alma spent \$0.4 million in infrastructure improvements that appear in the *Statement of the Net Assets*. The \$0.5 million increase in community development is related to the sale of three homes acquired through the MSHDA ADR program and Brownfield Redevelopment activities funded through the Total SEP award.

City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

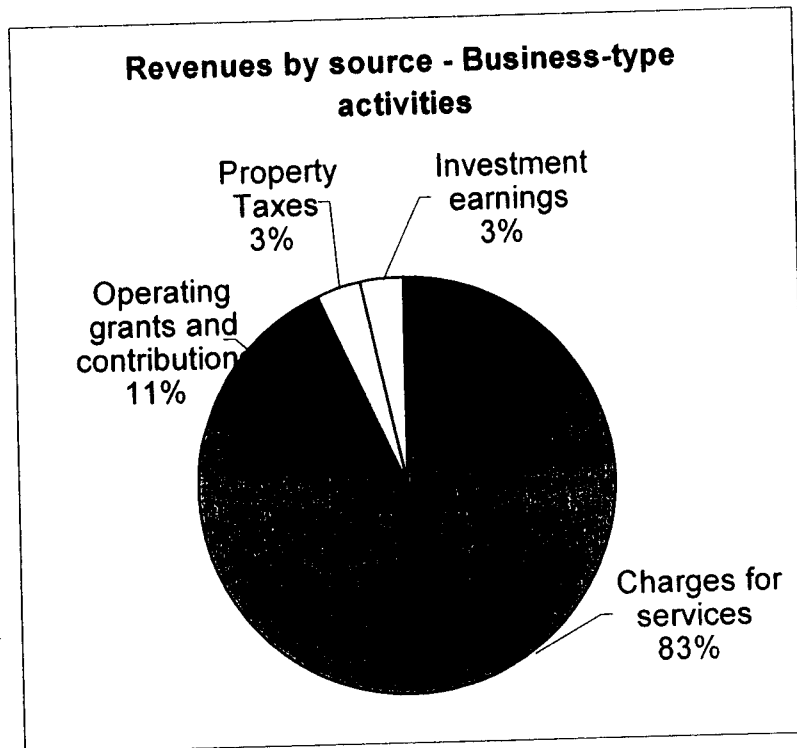


ii) **Business-type Activities – Highlights**

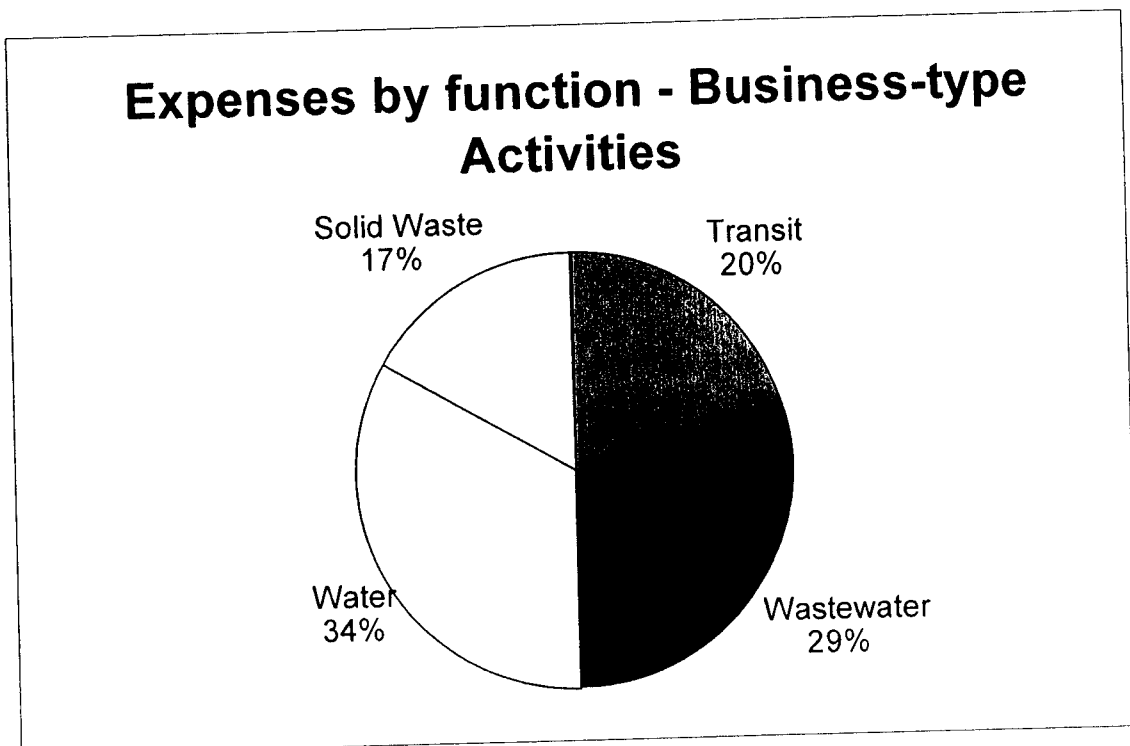
The business-type activities had a decrease in net assets of \$68 thousand from revenues of \$2.9 million. The largest source of revenue was from charges for services of \$2.4 million or 83% of revenues for business – type activities. The charges for services can be further disaggregated as follows:

• Wastewater	\$ 708,893
• Water	1,103,670
• Solid Waste	473,052
• Transit	66,534
• State Street Plaza	41,081
• Total Charges for Services	<u>\$ 2,393,230</u>

City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004



Water and wastewater are the largest business-type activities at \$1.0 million each.



City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

(1) Water

The Water Fund is a very capital intensive activity. By raising water rates, the cash position has stabilized. With the implementation of new regulatory requirements for selected water treatment plants, the capital needs for the fund will be increasing. The City will need to find a new source of water for the water treatment plant. Under the new regulations, the City must either find a source of ground water to eliminate the surface water or the water filtration plant must be rebuilt to more intensively treat the water. A preliminary engineering study recommended that the City begin looking for additional ground water sources. In FY2002, the City hired an engineering firm to look for reliable well water sources. New water sources have been found just south of the Pine River. This will require transmission of the raw water supply under the river to the water treatment plant. It is estimated that a new system of wells will cost \$1 million or more. The City Commission has passed a resolution of intent to sell revenue bonds to finance this project. A rate increase will be required to repay the bonds.

(2) Wastewater

The Wastewater Fund has a healthy cash position. The fund has \$1.8 million in cash and investments. The loss in wastewater was larger than anticipated largely because more sludge hauling was required than anticipated and a decrease in revenue from trucked-in waste. With operating revenues of \$0.7 million, the fund had a decrease of \$123,328 in net assets. The fund has sufficient reserves to meet its cash flow and capital needs for the next few years. The City has struggled with pipeline and plant capacity issues during significant rainstorms due to infiltration. The wastewater rates were increased in January 2004. An engineering firm has been engaged to develop plans to replace the current aeration basins.

(3) Dial-A-Ride-Transportation

The City runs a demand response bus system. The system is funded by a combination of bus fares, property taxes and grants from the state and federal governments. Major capital assets are usually purchased by the state. The Transit Fund has a healthy unrestricted net asset position with \$1.0 million in cash and investments. The biggest challenge facing the transit system is the decline of the reimbursement rate of grants. The reimbursement rate has slipped from 60% to 42% of eligible expenses. The City elected officials and management have been working with our elected officials in Lansing to modify the reimbursement formula.

(4) Solid Waste

The City collects solid waste, recyclables, and yard waste at the curbside for residential property. The service is funded through user fees. The City entered into a five year contract with the current waste hauler in FY2003. The Solid Waste fund has not had a rate increase since FY1998.

(5) State Street Plaza

- (a) The City owns a complex of offices on State Street. The operations of the fund are small enough that the graph will not display the activities. The fund has \$991,070 in assets. Operations for the year included \$47,525 in revenue and \$53,085 in expenses. In spite of the loss, the fund is in healthy financial status. The former MESC office was the Plaza's only vacancy in FY2004.

City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

4) Financial Analysis of Individual Funds

(1) General Fund

The General Fund had revenues of \$4.0 million, an increase of \$429 thousand from the prior fiscal year. The \$3.4 million in expenditures was an increase of \$266 thousand from the prior year. Net transfers to other funds were \$0.6 million. The fund balance increased by \$36 thousand. The increase in revenues was mainly from property taxes and state shared revenue. Lower interest rates meant lower investment yields in FY2004. The only adjustments to the original General Fund budget were between activities. The Supplemental Environmental Project was not completed in FY2004 which meant that the Economic Development expenditures were substantially under budget.

(2) Major Street

The Major Street fund expended \$281 thousand on major street maintenance. An additional \$100 thousand was expended on major street capital projects. The Adams Avenue project was postponed until FY2005. The Major Street Fund balance increased by \$245 thousand. The Major Street Fund had no budget amendments.

5) Capital Assets and Debt Administration

a) Capital assets

i) Summary of capital assets

The City of Alma has \$18.3 million invested in capital assets net of depreciation. Capital assets include all purchases of assets that exceed \$1,500 and have an expected useful life of greater than one year. The component units made minor additional investments in capital assets. Capital assets include: land, land improvements, streets, sidewalks, buildings, equipment and utility systems such as water lines and sewer lines. The City uses straight line depreciation for all depreciable assets. In FY2004, capital assets decreased by \$0.5 million in governmental activities and stayed the same in business-type activities.

Some of the major capital activities during the year included:

- Three homes held for resale were sold in FY2004 as part of the Michigan State Housing Development grant program.
- Rehabilitating over \$267,413 in neighborhood streets with \$384,396 invested in all street improvements.
- Replacing several vehicles for a total of \$165,495.

City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

Table A-3						
City of Alma's Capital Assets						
(in millions of dollars)						
	Governmental Activities		Business-type Activities		Total	
	FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
Land	\$ 1.9	\$ 1.9	\$ 0.2	\$ 0.2	\$ 2.1	\$ 2.1
Land improvement	1.1	1.1	0.2	0.2	1.3	1.3
Streets	13.6	13.2	0.0	0.0	13.6	13.2
Sidewalks	1.0	1.0	0.0	0.0	1.0	1.0
Buildings	1.9	2.2	4.7	4.7	6.6	6.9
Equipment	4.0	3.8	1.9	1.8	5.9	5.6
Utility systems	0.0	0.0	6.8	6.6	6.8	6.6
Accumulated Depreciation	(9.8)	(9.0)	(9.2)	(8.9)	(19.0)	(17.7)
<b>Total</b>	<b>\$ 13.7</b>	<b>\$ 14.2</b>	<b>\$ 4.6</b>	<b>\$ 4.6</b>	<b>\$ 18.3</b>	<b>\$ 18.8</b>

ii) Discussion of future plans

Each year the City publishes a 6-year Capital Improvement Plan (CIP). The CIP lists and discusses all major capital items that the City Commission and staff envision will be needed over the next six years. The major projects for the next two years include:

- New well system for the water plant
- Extending Pine Avenue to Cheesman Road
- Extending Adams Street from Ely to Superior
- Moving Alma Iron and Metal off the riverfront
- Replacing the existing aeration lagoons at the wastewater treatment plant
- Converting the one-way street system to two-way
- New facility for the Transit system
- Completing the river walkway
- Expanding and renovating Alma Public Library
- A new roof for the municipal building

- b) More detailed information about changes in capital assets can be found in Note 5 of the footnotes.

6) Debt

a) Summary of debt

The City of Alma had \$1.4 million of debt outstanding as of June 30, 2004. During the fiscal year, the City did not issue any debt. Of the outstanding debt, \$375 thousand was general obligation bonded debt. The City has pledged its full faith and credit to back \$375 thousand of special assessment debt. The Water Fund has pledged its revenue stream for \$385 thousand of revenue bonds and the City has \$215 thousand of installment purchase contracts. The City last received a bond rating in 1993. In 1993, Standard and Poors issued an A- rating for our general obligation debt.

City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

Table A-4						
City of Alma, Michigan						
Outstanding Debt						
(In thousands of dollars)						
	Governmental Activities		Business-type Activities		Total	
	FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
General obligation bonds	\$ 375	\$ 440	\$ -	\$ -	\$ 375	\$ 440
Special assessment debt with governmental commitment	375	450	-	-	375	450
Purchase contracts	215	250	-	-	215	250
Revenue bonds	-	-	385	440	385	440
Total	\$ 965	\$ 1,140	\$ 385	\$ 440	\$ 1,350	\$ 1,580

The City of Alma is anticipating the sale of water revenue bonds to finance the new well system for the water fund. The sale is anticipated for late FY2005.

- b) In the footnotes more detailed information on debt and other obligations can be found. Also, a complete schedule of debt repayments until maturity.

7) Economic Forecast

- a) The City of Alma has three main sources of revenue. These include property taxes, utility charges, and state shared revenue. The economic forecast for the community is dependent on these three revenues. Each main revenue source is discussed and forecast below.

i) Tax Base

With the closure of the refinery, the change in taxable value and state equalized value of the City has been closely tracked. As the refinery is dismantled, the refinery's property value was reduced accordingly. The following table shows property values for the past three years as well as the property valuation that will be used in the FY2004 property tax calculations. State equalized value is the Assessor's estimate of 50% of market value. Property taxes are calculated on taxable value. Taxable value growth is capped, by state constitution, to 5% or the rate of inflation which ever is less. In the year when property sells, the taxable value becomes uncapped and equal to the state equalized value. In the upcoming fiscal year, the taxable value decreases by three percent. The refinery has been essentially dismantled. The only remaining value is the land value and the equipment being used to remediate the environmental problems.

City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

**State Equalized Value**

<b>Fiscal Year</b>	<b>Real</b>	<b>Personal</b>	<b>IFT</b>	<b>Total</b>
2000	\$ 108,054,200	\$ 39,008,800	\$ 24,913,522	\$ 171,976,522
2001	112,751,600	35,918,900	18,721,000	167,391,500
2002	117,932,300	34,405,100	18,468,700	170,806,100
2003	121,002,500	28,094,200	16,274,500	165,371,200
2004	128,574,900	29,419,000	13,767,700	171,761,600

**Taxable Value**

<b>Fiscal Year</b>	<b>Real</b>	<b>Personal</b>	<b>IFT</b>	<b>Total</b>
2000	\$ 93,695,595	\$ 39,008,800	\$ 24,912,522	\$ 157,616,917
2001	95,954,929	35,915,027	18,721,000	150,590,956
2002	100,252,751	34,403,883	18,468,700	153,125,334
2003	103,755,637	28,094,122	16,274,500	148,124,259
2004	107,741,698	29,419,000	13,767,000	150,928,398

ii) State Shared Revenue

State shared revenue is the second largest source of revenue for the General Fund. It represents 38% of General Fund revenue. State shared revenue is made of two components. The constitutional component is 15% of the 4% gross collections of the state sales tax. This portion can not be adjusted by the legislature. The statutory component is 21.3% of the 4% gross collections of the state sales tax. This portion can be adjusted by the state legislature. In both components, the overall distribution is dependant on the collection of the state sales taxes. When the economy slides, the revenue stream goes down. When the economy and sales pick up, our revenues increase. The City of Alma's General Fund is very dependent on the overall State of Michigan economy. In preparing our budgets, the City uses the Michigan Department of Treasury's estimates as published on their web site. Current forecasts of state shared revenues show decreases in revenue from FY2004. Management believes that the FY2005 budget was prepared with recognition of the softening economy. Our fund balance will enable the City to weather any likely reductions in FY2005 state shared revenue.

iii) Utility Charges for Services

From an entity wide perspective, utility charges for services are the third major revenue source. At one time, the refinery represented 25% of water sales. With the closure of the refinery, that revenue source ceased. While industry is still a major water customer, no one customer represents such a significant percentage of sales. Utility sales, while affected by the economy, experience larger swings of revenue from changes in weather conditions. During dry spells, water sales increase. For the FY2005 budget, we assumed that units of sales will be roughly equal to FY2004 volumes.



City of Alma, Michigan  
Management Discussion and Analysis  
June 30, 2004

8) Contacting the City's Financial Management Team

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager or Finance Director/Treasurer at PO Box 278; Alma, Michigan 48801 or call at 989-463-8336.

## BASIC FINANCIAL STATEMENTS



City of Alma, Michigan  
Statement of Net Assets  
June 30, 2004

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,182,422	\$ 2,202,082	\$ 6,384,504	\$ 1,358,395
Investments	2,958,767	1,856,503	4,815,270	307,706
Receivables (net)	1,310,594	471,106	1,781,700	294,442
Inventories and prepaids	88,309	23,044	111,353	16,778
Internal balances	(62,628)	62,628	-	-
Due from joint venture	1,031	-	1,031	-
Component unit balances	25,416	-	25,416	-
Investment in joint venture	310,651	-	310,651	-
Land and construction in progress	1,882,349	224,009	2,106,358	277,021
Other capital assets, net of depreciation	11,836,282	4,363,902	16,200,184	3,592,263
<b>Total assets</b>	<b>22,533,193</b>	<b>9,203,274</b>	<b>31,736,467</b>	<b>5,846,605</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	449,059	148,784	597,843	79,499
Portion of long term liabilities due within one year	237,922	55,000	292,922	66,814
General Obligation bonds	310,000	-	310,000	-
Special Assessment bonds	300,000	-	300,000	-
Notes payable	175,000	-	175,000	-
Revenue Bonds payable	-	325,419	325,419	-
<b>Total liabilities</b>	<b>1,471,981</b>	<b>529,203</b>	<b>2,001,184</b>	<b>146,313</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	12,695,709	4,207,492	16,903,201	3,869,284
Restricted for:				
Capital projects	-	-	-	62,021
Debt service	64,900	168,426	233,326	-
Permanent funds	709,201	-	709,201	-
Other purposes	602	-	602	-
Unrestricted	7,590,800	4,298,153	11,888,953	1,768,987
<b>Total net assets</b>	<b>\$ 21,061,212</b>	<b>\$ 8,674,071</b>	<b>\$ 29,735,283</b>	<b>\$ 5,700,292</b>

The accompanying notes are an integral part of these financial statements

City of Alma, Michigan  
Statement of Activities  
For the Year Ended June 30, 2004

Activities/Programs	Expenses	Program Revenues		
		Service Charges	Operating Grants Contributions	Capital Grants Contributions
<b>Primary government</b>				
Governmental activities:				
Community development	\$ 909,686	\$ 171,465	\$ 175,283	\$ 167,244
Community safety	1,726,504	251,699	45,761	-
Property maintenance	426,074	75,865	1,400	-
Transportation	1,244,766	174,213	613,699	-
Recreation and cultural	626,498	36,631	10,786	-
Legislative	90,390	50	-	-
Administrative services	354,837	1,213	-	-
Interest on long term debt	62,712	89,089	-	-
Total governmental activities	<u>5,441,467</u>	<u>800,225</u>	<u>846,929</u>	<u>167,244</u>
Business-type activities:				
State Street Plaza	53,085	41,081	-	-
Transit Services	594,037	66,534	298,338	44,965
Wastewater	856,111	708,893	-	-
Water	993,336	1,103,670	-	-
Solid Waste	503,053	473,052	-	-
Total business-type activities	<u>2,999,622</u>	<u>2,393,230</u>	<u>298,338</u>	<u>44,965</u>
<b>Total primary government</b>	<u>\$ 8,441,089</u>	<u>\$ 3,193,455</u>	<u>\$ 1,145,267</u>	<u>\$ 212,209</u>
<b>Component Units</b>				
Downtown Development Authority	\$ 31,736	\$ -	\$ 7,250	\$ -
Local Development Financing Authority	519	-	-	-
Alma Public Library	505,570	13,992	466,610	30,647
Alma Housing Commission	996,356	314,962	680,908	-
<b>Total component units</b>	<u>\$ 1,534,181</u>	<u>\$ 328,954</u>	<u>\$ 1,154,768</u>	<u>\$ 30,647</u>
<b>General revenues:</b>				
Property taxes				
Intergovernmental				
Interest				
Other revenue				
<b>Total general revenue</b>				
<b>Change in net assets</b>				
Beginning net assets				
Ending net assets				

The accompanying notes are an integral part of these financial statements

Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (395,694)	\$ -	\$ (395,694)	
(1,429,044)	-	(1,429,044)	
(348,809)	-	(348,809)	
(456,854)	-	(456,854)	
(579,081)	-	(579,081)	
(90,340)	-	(90,340)	
(353,624)	-	(353,624)	
26,377	-	26,377	
<u>(3,627,069)</u>	<u>-</u>	<u>(3,627,069)</u>	
-	(12,004)	(12,004)	
-	(184,200)	(184,200)	
-	(147,218)	(147,218)	
-	110,334	110,334	
-	(30,001)	(30,001)	
<u>-</u>	<u>(263,089)</u>	<u>(263,089)</u>	
(3,627,069)	(263,089)	(3,890,158)	
			\$ (24,486)
			(519)
			5,679
			(486)
			(19,812)
2,373,574	139,917	2,513,491	22,661
1,457,643	-	1,457,643	-
81,896	48,752	130,648	15,159
38,270	6,003	44,273	-
<u>3,951,383</u>	<u>194,672</u>	<u>4,146,055</u>	<u>37,820</u>
324,314	(68,417)	255,897	18,008
20,736,898	8,742,488	29,479,386	5,682,284
<u>\$ 21,061,212</u>	<u>\$ 8,674,071</u>	<u>\$ 29,735,283</u>	<u>\$ 5,700,292</u>

City of Alma, Michigan  
**Balance Sheet**  
 Governmental Funds  
 June 30, 2004

	General	Major Streets	Heather/Warwick Special Assessment Bonds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,858,381	\$ 290,291	\$ 21,874	\$ 1,016,146	\$ 3,186,692
Investments	1,390,558	279,755	21,081	1,267,669	2,959,063
Receivables, net	376,918	54,067	325,479	31,959	788,423
Due from component units	19,472	-	-	-	19,472
Due from other governments	391,749	142,043	-	33,259	567,051
Prepaid items	30,998	-	-	-	30,998
Total assets	<u>\$ 4,068,076</u>	<u>\$ 766,156</u>	<u>\$ 368,434</u>	<u>\$ 2,349,033</u>	<u>\$ 7,551,699</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 291,882	\$ 8,745	\$ -	\$ 6,264	\$ 306,891
Accrued vacation	53,519	2,299	-	9,910	65,728
Deferred revenue	263,858	46,295	325,427	24,820	660,400
Total liabilities	<u>609,259</u>	<u>57,339</u>	<u>325,427</u>	<u>40,994</u>	<u>1,033,019</u>
<b>Fund balances:</b>					
<b>Reserved:</b>					
Reserved for prepaid items	30,998	-	-	-	30,998
Reserved for public safety employees	-	-	-	430,955	430,955
Reserved for law enforcement	-	-	-	602	602
Reserved for debt service	-	-	43,007	21,893	64,900
Reserved for cemetery endowment	-	-	-	404,951	404,951
Reserved for library endowment	-	-	-	304,250	304,250
Unreserved	3,427,819	708,817	-	-	4,136,636
<b>Unreserved, reported in nonmajor:</b>					
Special revenue funds	-	-	-	783,689	783,689
Capital project funds	-	-	-	361,699	361,699
Total fund balances	<u>3,458,817</u>	<u>708,817</u>	<u>43,007</u>	<u>2,308,039</u>	<u>6,518,680</u>
Total liabilities and fund balances	<u>\$ 4,068,076</u>	<u>\$ 766,156</u>	<u>\$ 368,434</u>	<u>\$ 2,349,033</u>	<u>\$ 7,551,699</u>

The accompanying notes are an integral part of these financial statements

City of Alma, Michigan  
**Reconciliation of Governmental Funds Balance Sheet  
 To Statement of Net Assets**  
 June 30, 2004

Total fund balances per fund financial statements	\$ 6,518,680
Capital assets are not reported in fund financial statements because they are not current financial resources, but are reported in the statement of net assets	12,499,273
Investment in joint venture, Gratiot Community Airport, is not included in fund financial statement, but is reported in the statement of net assets	310,651
Certain long-term assets are deferred in fund financial statement because they are not current financial resources, but are reported in the statement of net assets	660,400
Uncollectible receivables are estimated in the statement of net assets, but not in the fund financial statements	(67,577)
Assets and liabilities of internal service funds related to governmental programs are presented in the statement of net assets, but not in the fund financial statements	2,160,510
Certain charges to component units are required to eliminate internal service fund losses in the statement of net assets, but are not reported in the fund financial statements	4,580
Certain liabilities are not reported in the fund financial statement but are reported in the statement of net assets	(1,022,922)
Interest payable is accrued on long-term debt in the statement of net assets	(2,383)
Net assets for governmental activities	<u>\$ 21,061,212</u>

City of Alma, Michigan  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
Governmental Funds  
For the Year Ended June 30, 2004

	General	Major Streets	Heather/Warwick Special Assessment Bonds	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,942,153	\$ -	\$ -	\$ 412,776	\$ 2,354,929
Licenses and permits	77,649	-	-	-	77,649
Intergovernmental revenue	1,541,301	440,690	-	359,077	2,341,068
Charges for services	121,107	84,485	65,085	188,310	458,987
Fines and forfeits	21,458	-	-	936	22,394
Interest and dividends	61,432	7,292	24,555	16,647	109,926
Rents and other revenue	239,336	321	-	157,436	397,093
Total revenues	<u>4,004,436</u>	<u>532,788</u>	<u>89,640</u>	<u>1,135,182</u>	<u>5,762,046</u>
<b>EXPENDITURES</b>					
Current:					
Community development	514,109	-	-	363,234	877,343
Community safety	1,302,342	-	-	354,123	1,656,465
Property maintenance	356,377	-	-	-	356,377
Transportation	197,534	281,429	-	222,671	701,634
Recreation and cultural	528,421	-	-	11,450	539,871
Legislative	89,363	-	-	-	89,363
Administrative services	333,338	-	-	-	333,338
Debt Service:					
Principal	35,000	-	75,000	65,000	175,000
Interest and fiscal charges	14,285	-	23,212	22,830	60,327
Capital improvements	-	100,124	-	316,835	416,959
Total expenditures	<u>3,370,769</u>	<u>381,553</u>	<u>98,212</u>	<u>1,356,143</u>	<u>5,206,677</u>
Excess (deficiency) revenues over expenditures	<u>633,667</u>	<u>151,235</u>	<u>(8,572)</u>	<u>(220,961)</u>	<u>555,369</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	9,100	173,581	-	546,322	729,003
Transfers out	(606,322)	(80,000)	-	(42,681)	(729,003)
Total other financing	<u>(597,222)</u>	<u>93,581</u>	<u>-</u>	<u>503,641</u>	<u>-</u>
Net change in fund balances	36,445	244,816	(8,572)	282,680	555,369
Beginning fund balances	3,422,372	464,001	51,579	2,025,359	5,963,311
Ending fund balances	<u>\$ 3,458,817</u>	<u>\$ 708,817</u>	<u>\$ 43,007</u>	<u>\$ 2,308,039</u>	<u>\$ 6,518,680</u>

The accompanying notes are an integral part of these financial statements



City of Alma, Michigan  
**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities**  
For the Year Ended June 30, 2004

Net change in total fund balances per fund financial statements	\$ 555,369
Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but reported as assets in the statement of net assets	511,964
Net value of capital assets disposed of during the year	(3,362)
Depreciation on capital assets is not reported in the fund financial statements, but is reported in the statement of activities	(741,623)
Principal payments on long term debt are reported in the fund financial statements, but are a reduction in liabilities on the statement of net assets	175,000
Change in compensated absences	(6,393)
Increase in value in joint venture	17,265
Change in allowance for doubtful accounts	(50,724)
Change in interest payable	(2,383)
The statement of activities includes charges to bring internal service funds to a break-even operating position	(70,551)
The internal service funds had receivables from external entities that are not adjusted in the governmental activities	4,580
The statement of activities includes interest earned in internal service funds	10,864
The statement of activities includes revenues earned on street opening permits in internal service fund	709
The statement of activities includes revenue deferred in the fund financial statements	(76,401)
Change in net assets of governmental activities	<u>\$ 324,314</u>

City of Alma, Michigan  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 General Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended
	Budgeted Amounts		Actual	Budget Variance	June-03
	Original	Final			Actual
<b>REVENUES</b>					
Taxes	\$1,956,676	\$1,956,676	\$1,942,153	(\$14,523)	\$1,845,612
Licenses and permits	108,500	108,500	77,649	(30,851)	79,164
Intergovernmental revenue	1,339,000	1,339,000	1,541,301	202,301	1,361,836
Charges for services	65,200	65,200	121,107	55,907	89,356
Fines and forfeits	25,000	25,000	21,458	(3,542)	25,619
Interest and dividends	75,000	75,000	61,432	(13,568)	101,043
Rents and other revenue	752,455	752,455	239,336	(513,119)	72,206
Total revenues	4,321,831	4,321,831	4,004,436	(317,395)	3,574,836
<b>EXPENDITURES</b>					
Community Development					
Economic development	802,639	802,639	392,466	(410,173)	185,170
Contribution to Downtown Development Authority	30,603	30,603	7,250	(23,353)	3,000
Downtown maintenance	67,369	67,369	55,827	(11,542)	47,843
Parking lots	51,038	51,038	29,783	(21,255)	31,532
Zoning	53,507	43,907	28,783	(15,124)	28,912
Total Community Development	1,005,156	995,556	514,109	(481,447)	296,457
Community Safety					
Police	1,110,398	1,110,398	1,085,135	(25,263)	1,044,845
Building code enforcement	110,541	120,541	124,069	3,528	117,026
Street lighting	97,893	97,893	93,138	(4,755)	88,977
Total Community Safety	1,318,832	1,328,832	1,302,342	(26,490)	1,250,848
Property Maintenance					
Cemetery	171,141	171,141	167,985	(3,156)	179,509
Municipal building	116,930	116,930	100,473	(16,457)	120,122
Forestry	93,395	93,395	87,919	(5,476)	62,060
Total Property Maintenance	381,466	381,466	356,377	(25,089)	361,691
Transportation					
Contribution to Gratiot Community Airport	47,600	47,600	47,600	-	47,600
Sidewalks	188,518	188,518	149,934	(38,584)	37,797
Total Transportation	236,118	236,118	197,534	(38,584)	85,397

The accompanying notes are an integral part of these financial statements

(Continued)

City of Alma, Michigan  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 General Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

(Concluded)

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
Recreation and Cultural					
Parks and recreation	261,432	261,432	212,612	(48,820)	288,807
Contribution to Alma Public Library	269,641	269,641	269,641	-	268,000
Alma Public Access studio	46,095	46,095	46,168	73	42,584
Total Recreation and Cultural	577,168	577,168	528,421	(48,747)	599,391
Legislative Activities					
City commission	\$ 40,455	\$ 40,455	\$ 33,536	\$ (6,919)	\$ 26,979
Registration and elections	26,655	26,655	26,958	303	26,689
City clerk	36,366	36,366	28,869	(7,497)	31,933
Total Legislative Activities	103,476	103,476	89,363	(14,113)	85,601
Administrative Services					
City manager	127,125	137,125	133,875	(3,250)	122,316
City treasurer	59,493	59,493	64,071	4,578	118,310
Assessor	148,528	148,528	135,392	(13,136)	135,753
Contingency	124,543	114,543	-	(114,543)	-
Total Administrative Services	459,689	459,689	333,338	(126,351)	376,379
Debt Service					
Principal	35,000	35,000	35,000	-	35,000
Interest and fiscal charges	12,400	12,400	14,285	1,885	14,230
Total Debt Service	47,400	47,400	49,285	1,885	49,230
Total expenditures	4,129,305	4,129,705	3,370,769	(758,936)	3,104,994
Excess (deficiency) revenues over expenditures	192,526	192,126	633,667	441,541	469,842
OTHER FINANCING SOURCES (USES)					
Transfers from	9,000	9,000	9,100	100	12,812
Transfers to	(710,517)	(710,517)	(606,322)	(104,195)	(303,854)
Total other financing	(701,517)	(701,517)	(597,222)	(104,095)	(291,042)
Net change in fund balance	(508,991)	(509,391)	36,445	545,836	178,800
Beginning fund balance	3,422,372	3,422,372	3,422,372	-	3,243,572
Ending fund balance	\$ 2,913,381	\$ 2,912,981	\$ 3,458,817	\$ 545,836	\$ 3,422,372

City of Alma, Michigan  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Major Street Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03
	Budgeted Amounts		Actual	Budget Variance	Actual
	Original	Final			
<b>REVENUES</b>					
Intergovernmental revenue	\$ 850,000	\$ 850,000	\$ 440,690	\$ (409,310)	\$ 463,186
Charges for services	4,300	4,300	84,485	80,185	69,265
Interest and dividends	6,000	6,000	7,292	1,292	10,564
Rent and other revenue	-	-	321	321	134
Total revenues	<u>860,300</u>	<u>860,300</u>	<u>532,788</u>	<u>(327,512)</u>	<u>543,149</u>
<b>EXPENDITURES</b>					
Engineering	-	-	20,709	20,709	12,361
Michigan trunkline maintenance	77,834	77,834	80,838	3,004	58,808
Road and street maintenance	118,794	118,794	74,647	(44,147)	88,786
Bridge maintenance	-	-	21	21	-
Grass and weed control	4,610	4,610	5,247	637	4,895
Traffic services	40,748	40,748	29,954	(10,794)	31,220
Winter maintenance	35,582	35,582	40,062	4,480	27,133
Construction	706,500	706,500	100,124	(606,376)	99,512
Administration	22,409	22,409	29,951	7,542	89,535
Total expenditures	<u>1,006,477</u>	<u>1,006,477</u>	<u>381,553</u>	<u>(624,924)</u>	<u>412,250</u>
Excess (deficiency) revenues over expenditures	<u>(146,177)</u>	<u>(146,177)</u>	<u>151,235</u>	<u>297,412</u>	<u>130,899</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from	140,000	140,000	173,581	33,581	-
Transfers to	(80,000)	(80,000)	(80,000)	(80,000)	(91,630)
Total other financing	<u>60,000</u>	<u>60,000</u>	<u>93,581</u>	<u>33,581</u>	<u>(91,630)</u>
Net change in fund balance	(86,177)	(86,177)	244,816	330,993	39,269
Beginning fund balance	464,001	464,001	464,001	-	424,732
Ending fund balance	<u>\$ 377,824</u>	<u>\$ 377,824</u>	<u>\$ 708,817</u>	<u>\$ 330,993</u>	<u>\$ 464,001</u>

The accompanying notes are an integral part of these financial statements

City of Alma, Michigan  
**Statement of Net Assets**  
Proprietary Funds  
June 30, 2004

	Enterprise Funds			
	State Street Plaza	Transit Services	Wastewater Utility	Water Utility
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 306,137	\$ 504,483	\$ 921,670	\$ 144,283
Investments	295,025	463,956	857,147	94,788
Receivables, net	731	2,546	164,916	171,527
Due from component unit	-	-	-	-
Due from other governments	-	37,590	11,918	-
Inventories	-	-	3,866	13,854
Prepaid expenses	-	-	2,002	2,002
Total current assets	<u>601,893</u>	<u>1,008,575</u>	<u>1,961,519</u>	<u>426,454</u>
Noncurrent assets:				
Restricted cash	-	-	-	168,426
Capital assets:				
Land	62,300	-	10,000	115,790
Construction in progress	-	10,919	-	-
Land improvements	120,292	-	20,265	7,150
Buildings and improvements	720,267	8,335	2,252,878	1,706,606
Vehicles and equipment	-	622,234	306,003	985,630
Distribution and collection systems	-	-	1,983,137	4,851,052
Less accumulated depreciation	(513,500)	(245,632)	(3,595,152)	(4,869,180)
Total noncurrent assets	<u>389,359</u>	<u>395,856</u>	<u>977,131</u>	<u>2,965,474</u>
Total assets	<u>991,252</u>	<u>1,404,431</u>	<u>2,938,650</u>	<u>3,391,928</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	182	5,429	31,532	6,524
Due to other governments	-	579	-	-
Accrued wages and vacation	-	27,129	30,000	24,219
Interest payable	-	-	-	3,316
Current revenue bonds payable	-	-	-	55,000
Total current liabilities	<u>182</u>	<u>33,137</u>	<u>61,532</u>	<u>89,059</u>
Noncurrent liabilities:				
Bonds payable	-	-	-	325,419
Total liabilities	<u>182</u>	<u>33,137</u>	<u>61,532</u>	<u>414,478</u>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	389,359	395,856	977,131	2,416,629
Restricted for debt service	-	-	-	168,426
Unrestricted	601,711	975,438	1,899,987	392,395
Total net assets	<u>\$ 991,070</u>	<u>\$ 1,371,294</u>	<u>\$ 2,877,118</u>	<u>\$ 2,977,450</u>

The accompanying notes are an integral part of these financial statements

<u>Solid Waste Disposal</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 157,083	\$ 2,033,656	\$ 538,980
145,587	1,856,503	456,456
81,878	421,598	22,695
-	-	4,475
-	49,508	-
-	17,720	36,353
1,320	5,324	20,957
<u>385,868</u>	<u>4,384,309</u>	<u>1,079,916</u>
-	168,426	-
25,000	213,090	18,894
-	10,919	-
8,370	156,077	-
-	4,688,086	611,959
6,595	1,920,462	2,909,653
-	6,834,189	-
(11,448)	(9,234,912)	(2,321,147)
<u>28,517</u>	<u>4,756,337</u>	<u>1,219,359</u>
<u>414,385</u>	<u>9,140,646</u>	<u>2,299,275</u>
18,785	62,452	24,235
-	579	-
1,089	82,437	49,822
-	3,316	-
-	55,000	-
<u>19,874</u>	<u>203,784</u>	<u>74,057</u>
-	325,419	-
<u>19,874</u>	<u>529,203</u>	<u>74,057</u>
28,517	4,207,492	1,219,359
-	168,426	-
365,994	4,235,525	1,005,859
<u>\$ 394,511</u>	<u>\$ 8,611,443</u>	<u>\$ 2,225,218</u>

Reconciliation of Proprietary Funds Net Assets  
To Statement of Net Assets  
June 30, 2004

Net assets per fund financial statements	\$ 8,611,443
Assets and liabilities of internal service funds related to proprietary programs	64,708
Due to internal service funds for charges required to break-even	(2,080)
Net assets for business-type activities	<u>\$ 8,674,071</u>

City of Alma, Michigan  
**Statement of Revenues, Expenses and Changes in Net Assets**  
Proprietary Funds  
For The Year Ended June 30, 2004

	Enterprise Funds			
	State Street Plaza	Transit Services	Wastewater Utility	Water Utility
<b>OPERATING REVENUES</b>				
Licenses and permits	\$ -	\$ -	\$ 250	\$ -
Charges for services	-	66,534	708,643	1,032,119
Fines and forfeits	-	-	-	38,025
Rents and other revenue	41,081	-	-	33,526
<b>Total operating revenues</b>	<b>41,081</b>	<b>66,534</b>	<b>708,893</b>	<b>1,103,670</b>
<b>OPERATING EXPENSES</b>				
Plant operations	-	-	213,335	160,329
Purifications	-	-	173,744	212,869
Engineering	-	-	-	200
Industrial pre-treatment	-	-	5,505	-
Maintenance of mains	-	-	156,422	237,770
Solid waste disposal	-	-	-	-
Recycling	-	-	-	-
Vehicle and facility maintenance	19,857	49,323	-	-
Transit operations	-	362,461	-	-
Customer accounting and administration	3,285	123,186	170,320	190,626
Public works services	-	-	-	-
Depreciation	29,943	59,067	136,785	168,793
<b>Total operating expenses</b>	<b>53,085</b>	<b>594,037</b>	<b>856,111</b>	<b>970,587</b>
<b>Operating income (loss)</b>	<b>(12,004)</b>	<b>(527,503)</b>	<b>(147,218)</b>	<b>133,083</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Taxes	-	139,917	-	-
Intergovernmental revenue	-	295,538	-	-
Capital grants	-	47,765	-	-
Interest and dividends revenues	6,444	11,835	23,588	3,227
Other revenue	-	5,501	302	-
Interest expense and fiscal charges	-	-	-	(22,549)
<b>Nonoperating revenues (expenses)</b>	<b>6,444</b>	<b>500,556</b>	<b>23,890</b>	<b>(19,322)</b>
<b>Change in net assets</b>	<b>(5,560)</b>	<b>(26,947)</b>	<b>(123,328)</b>	<b>113,761</b>
Beginning net assets	996,630	1,398,241	3,000,446	2,863,689
<b>Ending net assets</b>	<b>\$ 991,070</b>	<b>\$ 1,371,294</b>	<b>\$ 2,877,118</b>	<b>\$ 2,977,450</b>

The accompanying notes are an integral part of these financial statements

<u>Solid Waste Disposal</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ -	\$ 250	\$ -
473,052	2,280,348	1,520,255
-	38,025	-
-	74,607	542,639
<u>473,052</u>	<u>2,393,230</u>	<u>2,062,894</u>
-	373,664	-
-	386,613	-
-	200	-
-	5,505	-
-	394,192	-
242,196	242,196	-
216,815	216,815	-
-	69,180	839,439
-	362,461	-
41,303	528,720	571,616
-	-	487,645
659	395,247	244,426
<u>500,973</u>	<u>2,974,793</u>	<u>2,143,126</u>
<u>(27,921)</u>	<u>(581,563)</u>	<u>(80,232)</u>
-	139,917	-
-	295,538	-
-	47,765	-
3,658	48,752	10,864
-	5,803	10,390
-	(22,549)	-
<u>3,658</u>	<u>515,226</u>	<u>21,254</u>
(24,263)	(66,337)	(58,978)
418,774	8,677,780	2,284,196
<u>\$ 394,511</u>	<u>\$ 8,611,443</u>	<u>\$ 2,225,218</u>

Reconciliation of Statement of Revenues, Expenses and  
Changes in Net Assets of Proprietary Funds to  
Statement of Activities  
For the Year Ended June 30, 2004

Change in net assets per fund financial statements	\$ (66,337)
Internal service charges to break-even	(2,080)
Change in net assets per statement of activities	<u>\$ (68,417)</u>



City of Alma, Michigan  
**Statement of Cash Flows**  
Proprietary Funds  
For the Year Ended June 30, 2004

	Enterprise Funds			
	State Street Plaza	Transit Services	Wastewater Utility	Water Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 41,081	\$ 66,631	\$ 711,079	\$ 1,071,859
Receipts from other funds and component units	-	-	-	-
Payments to vendors	(7,745)	(69,152)	(199,818)	(257,550)
Payments to employees	(1,316)	(400,344)	(281,961)	(450,540)
Internal activity-payments to other funds	(9,030)	(45,754)	(135,476)	(72,068)
Other payments	(3,776)	(6,345)	(72,134)	(61,968)
	<u>19,214</u>	<u>(454,964)</u>	<u>21,690</u>	<u>229,733</u>
Net cash provided (used) from operating				
<b>CASH FLOWS FROM NONCAPITAL FINANCING</b>				
Subsidies from other governments	-	383,508	-	-
Rent and other revenue	-	-	302	-
Receipts from voted millage	-	138,884	-	-
	<u>-</u>	<u>522,392</u>	<u>302</u>	<u>-</u>
Net cash provided from noncapital financing				
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	-	47,765	-	-
Acquisitions of capital assets	(13,227)	(80,950)	(39,166)	(249,765)
Proceeds from sale of capital assets	-	5,500	-	-
Principal paid on capital debt	-	-	-	(55,000)
Interest paid on capital debt	-	-	-	(22,206)
	<u>(13,227)</u>	<u>(27,685)</u>	<u>(39,166)</u>	<u>(326,971)</u>
Net cash (used) for capital and related financing				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	6,928	12,531	25,020	3,591
Purchase of investments	(21,045)	(47,920)	(45,976)	40,486
	<u>(14,117)</u>	<u>(35,389)</u>	<u>(20,956)</u>	<u>44,077</u>
Net cash provided (used) from investing				
Net increase (decrease) in cash	(8,130)	4,354	(38,130)	(53,161)
Beginning cash balance	314,267	500,129	959,800	365,870
Ending cash balance	<u>\$ 306,137</u>	<u>\$ 504,483</u>	<u>\$ 921,670</u>	<u>\$ 312,709</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ (12,004)	(527,503)	(147,218)	133,083
Depreciation expense	29,943	59,067	136,785	168,793
Change in assets and liabilities:				
Decrease in receivables	0	97	2,186	(31,811)
Increase in inventory	-	-	(2,162)	34
Decrease in prepaid expenses	1,138	5,977	13,149	12,446
Increase in accounts payable	137	7,398	18,950	(52,812)
	<u>\$ 19,214</u>	<u>\$ (454,964)</u>	<u>\$ 21,690</u>	<u>\$ 229,733</u>
Net cash provided (used) by operating activities				

The accompanying notes are an integral part of these financial statements

Solid Waste Disposal	Total	Internal Service Funds
\$ 471,731	\$ 2,362,381	\$ -
-	-	2,057,032
(233,792)	(768,057)	(366,911)
(49,334)	(1,183,495)	(1,324,732)
(135,098)	(397,426)	(112,614)
(80,201)	(224,424)	(72,245)
<u>(26,694)</u>	<u>(211,021)</u>	<u>180,530</u>
-	383,508	-
-	302	-
-	138,884	-
<u>-</u>	<u>522,694</u>	<u>-</u>
-	47,765	-
-	(383,108)	(362,628)
-	5,500	25,250
-	(55,000)	-
-	(22,206)	-
<u>-</u>	<u>(407,049)</u>	<u>(337,378)</u>
3,927	51,997	12,142
3,204	(71,251)	33,543
<u>7,131</u>	<u>(19,254)</u>	<u>45,685</u>
(19,563)	(114,630)	(111,163)
176,646	2,316,712	650,143
<u>\$ 157,083</u>	<u>\$ 2,202,082</u>	<u>\$ 538,980</u>
(27,921)	(581,563)	(80,232)
659	395,247	244,426
(1,320)	(30,848)	(5,862)
-	(2,128)	-
1,285	33,995	17,172
603	(25,724)	5,026
<u>\$ (26,694)</u>	<u>\$ (211,021)</u>	<u>\$ 180,530</u>

City of Alma, Michigan  
**Statement of Fiduciary Net Assets**  
 Agency Fund  
 June 30, 2004

	30-Jun-04	30-Jun-03
<b>ASSETS</b>		
Cash and cash equivalents	\$ 221,621	\$ 244,026
Investments	58,214	215,796
Receivables - net	11	6
<b>Total assets</b>	<u><u>\$ 279,846</u></u>	<u><u>\$ 459,828</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 41,084	\$ 5,152
Due to other governments	126,485	64,603
Due to joint venture	112,277	390,073
<b>Total liabilities</b>	<u><u>\$ 279,846</u></u>	<u><u>\$ 459,828</u></u>

The accompanying notes are an integral part of these financial statements

City of Alma  
**Component Units**  
Combining Statement of Net Assets  
At June 30, 2004

	Alma Downtown Development Authority	Local Development Financing Authority	Alma Public Library	Alma Housing Commission	Total June 30, 2004
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 10,852	\$ 236,371	\$ 13,361	\$ 1,097,811	\$ 1,358,395
Investments	10,457	227,791	12,616	56,842	307,706
Taxes receivable	279	-	-	-	279
Accounts receivable	-	-	378	14	392
Interest receivable	19	568	75	-	662
Due from other governments	-	-	173,320	119,789	293,109
Inventories	-	-	5,056	-	5,056
Prepaid expenses	-	-	-	11,722	11,722
Noncurrent Assets:					
Net property and equipment	-	-	660,798	3,208,486	3,869,284
Total assets	<u>21,607</u>	<u>464,730</u>	<u>865,604</u>	<u>4,494,664</u>	<u>5,846,605</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	-	-	20,196	25,060	45,256
Due to primary government	-	-	1,469	23,947	25,416
Due to other governments	-	-	-	8,827	8,827
Accrued wages and vacation	2,753	-	31,751	31,957	66,461
Total liabilities	<u>2,753</u>	<u>-</u>	<u>53,416</u>	<u>89,791</u>	<u>145,960</u>
<b>NET ASSETS</b>					
Invested in capital assets	-	-	660,798	3,208,486	3,869,284
Restricted	-	-	62,021	-	62,021
Unrestricted	18,501	464,730	89,369	1,196,387	1,768,987
Total net assets	<u>\$ 18,501</u>	<u>\$ 464,730</u>	<u>\$ 812,188</u>	<u>\$ 4,404,873</u>	<u>5,700,292</u>

The accompanying notes are an integral part of these financial statements

City of Alma  
**Component Units**  
Combining Statement of Revenues, Expenditures and Changes in Net Assets  
For Fiscal Year 2004 as of June 30, 2004

	Alma Downtown Development Authority	Local Development Financing Authority	Alma Public Library	Alma Housing Commission	Total June 30, 2004
<b>REVENUES</b>					
Taxes	\$ 22,661	\$ -	\$ -	\$ -	\$ 22,661
Intergovernmental	7,250	-	466,610	680,908	1,154,768
Charges for services	-	-	12,435	-	12,435
Fines and forfeits	-	-	1,557	-	1,557
Interest revenues	296	5,018	1,636	8,209	15,159
Rents and other revenue	-	-	30,647	314,962	345,609
Total revenues	<u>30,207</u>	<u>5,018</u>	<u>512,885</u>	<u>1,004,079</u>	<u>1,552,189</u>
<b>EXPENDITURES</b>					
Current:					
Economic development	31,736	519	-	-	32,255
Housing	-	-	-	759,558	759,558
Cultural	-	-	446,250	-	446,250
Depreciation	-	-	59,320	236,798	296,118
Total expenditures	<u>31,736</u>	<u>519</u>	<u>505,570</u>	<u>996,356</u>	<u>1,534,181</u>
Change in net assets	(1,529)	4,499	7,315	7,723	18,008
Beginning net assets	20,030	460,231	804,873	4,397,150	5,682,284
Ending net assets	<u>\$ 18,501</u>	<u>\$ 464,730</u>	<u>\$ 812,188</u>	<u>\$ 4,404,873</u>	<u>\$ 5,700,292</u>

The accompanying notes are an integral part of these financial statements

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Located in Gratiot County, Michigan, Alma was settled in 1853 along the banks of the Pine River, became a village in 1872 and was incorporated in 1905 as the City of Alma. Organized under Michigan's Comprehensive Home Rule City Act, the City of Alma is governed by a seven-member City Commission elected by its 9,275 citizens at large. The City Commission selects the Mayor and Vice Mayor from among its members. A City Manager is appointed to administer the business of the City. By charter, City of Alma is a full service city providing police and fire protection, highways and streets, sanitation, water production and distribution, housing, culture, recreation, public improvements, planning, zoning and general administration. The accounting policies of the City of Alma conform to generally accepted accounting principles as applicable to governmental units. Some of the more significant accounting and reporting policies follow:

### (A) THE REPORTING ENTITY

The City of Alma has implemented GASB Statement Number 14, The Financial Reporting Entity and the Michigan Department of Treasury Statement on Michigan Governmental Accounting and Auditing No. 5, which define the reporting entity of primary government and component unit activities. The basic criterion for including a department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, or the ability to exert significant influence on operations.

All component units are presented in a separate column in the government-wide financial statements to emphasize their separate legal status from the primary government. All discretely presented component units have a June 30 year-end.

#### (i) Discretely Presented Component Units

Alma Downtown Development Authority is responsible for the correction and prevention of deterioration, encouragement of historic preservation, authorization of the creation and implementation of development plans and promotion of economic growth within the central business district. The Mayor appoints the board of the Alma D.D.A. after being ratified by the City Commission. The Alma D.D.A. is legally separate from the City and is fiscally independent of the City. The D.D.A. currently levies a two-mill property tax on the district as authorized by the Alma City Commission. The D.D.A. has been relying on donations and contributions from the City. There are no separate financial statements.

Alma Local Development Finance Authority is responsible for providing infrastructure improvements in Alma's industrial district. A majority of the board of the Alma L.D.F.A. is appointed by the City Manager. The Alma Public School Board and the Gratiot County Board of Commissioners each appoint one member of the board. Projects are restricted to the established development district. The Alma L.D.F.A. is legally separate from the City but the Alma City Commission must approve all debt issues. There are no separate financial statements.

Alma Public Library operates the local library in Alma. The Library Board is appointed by the City Commission. The Library is legally separate from the City; however, any debt issued by the Library must be approved by the Alma City Commission. The Library is funded primarily by contributions from the City and an allocation of penal fines from the district court. There are no separate financial statements.

Alma Housing Commission provides assistance in low income housing by operating subsidized low-income housing and rent vouchers. The Board of the Housing Commission is appointed by the City Manager. The Commission is legally separate from the City. All debt must be approved by the City of Alma. All land used by the Housing Commission is owned by the City. The Commission receives most of its funding from rental income and federal grants. The Housing Commission operates on a January 1 to December 31, fiscal year. For this report, the Housing Commission activity is reported on a July 1 to June 30, basis. Complete financial statements for the Housing Commission can be obtain by writing to:

Ms. Marcia Zimmerman  
Alma Housing Commission  
400 E. Warwick  
Alma, MI 48801

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

(ii) Blended Component Units

Alma Building Authority provides bond financing for City of Alma and its component units. The Board is appointed by the Alma City Commission. The Authority is a separate legal entity. With the repayment of the Tartan Terrace Construction bonds, the authority is inactive.

(iii) Joint Ventures

Gratiot Community Airport Commission operates the only public airport in Gratiot County. The City of Alma and Gratiot County each appoint three of the six members of the Gratiot Community Airport Commission. The Commission is responsible for preparing the annual budget (which is approved by the County and the City) and carrying out all activities of the Commission. The Alma City Manager is responsible for the day to day administration and supervision of airport operations. Airport employees are City employees. The City Commission must approve all expenditures over \$1,500.

The County and the City are each responsible for funding 50% of the operational deficits. The land and other property acquired during the term of the agreement are held by the County and the City as tenants in common in such proportions as their contributions in the year of acquisition.

The City maintains the accounting records for the Gratiot Community Airport Commission as part of the General Agency Fund. More details of the Commission are presented at the end of the individual fund statements. The Gratiot Community Airport Commission is a governmental fund type and does not produce separate financial statements.

Gratiot County Central Dispatch Authority is a joint venture between Gratiot County, the State of Michigan, and the Cities of Alma, St. Louis, Ithaca and Breckenridge. The Authority provides emergency dispatch services for all police, fire and rescue services in Gratiot County. The governing board is comprised of 11 members. Gratiot County appoints six board members: the County Sheriff, one township representative, one village representative, one county citizen, and two county commissioners. Each other unit appoints one board member. The Authority is responsible for preparing the annual budget (which must also be approved by Gratiot County) and carrying out all activities of the Authority.

The Authority receives funding from telephone surcharge fees and local contributions. A formula has been established to allocate the local contributions. The financial activities of Gratiot County Central Dispatch Authority are reported in Gratiot County's financial statements as a component unit. Gratiot County Central Dispatch is on an October 1 to September 30, fiscal year. The City has no equity interest in the Dispatch Authority. For the twelve-month fiscal year ending September 30, 2003, the total expenditures for the Gratiot County Dispatch Authority were \$443,800. The City of Alma contributed \$13,071 or 3% of the cost of operating the Authority. There are no separate financial statements produced for Gratiot County Central Dispatch Authority. Copies of Gratiot County financial statements can be obtained by writing:

Ms. Mary Sullivan, County Treasurer  
Gratiot County  
P.O. Drawer 437  
Ithaca, Michigan 48847

(iv) Joint Operation

Mid-Michigan Area Cable Communications Consortium is a joint operation between nine mid-Michigan communities with cable franchises granted to Charter Communications Inc. The nine communities include the Cities of Alma, Clare, Ithaca, Mt Pleasant and St Louis, the Villages of Breckenridge and Shepherd, and the Townships of Pine River and Union. The Consortium is responsible for developing, monitoring, and enforcing the cable ordinance, negotiating and monitoring cable franchise agreements, and, to the extent permitted by federal law, regulating cable rates. The Consortium is responsible for the operation of the public, education and government access channels. Each community is permitted two members of the governing board. The Consortium is responsible for preparing the annual budget.

A formula has been established to allocate the local contributions. There were no local contributions in fiscal year 2003-2004. The financial activities of the Mid-Michigan Area Cable Communication Consortium are maintained by the City of Alma. The Consortium is on a January 1 to December 31, fiscal year. The fund balance of the Consortium at June 30, 2004 is \$599,761. There are no separate financial statements produced for Mid-Michigan Area Cable Communication Consortium.

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the City of Alma and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The primary government of the City of Alma is reported separately from certain legally separate component units for which the City of Alma is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. The Agency fund does not have a measurement focus; however it is subject to the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to offset liabilities of the current period. The City of Alma considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except debt service expenditures, compensated absences, claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental revenues, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The City of Alma reports the following major governmental funds:

The General Fund is the City's primary operating fund used to account for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the receipt of allocated state shared gas and weight taxes. The expenditure of these funds is restricted to City of Alma streets that have been designated as major by the Michigan Department of Transportation.

The Heather/Warwick Special Assessment Bond Fund is used to account for the collection of special assessments and repayment of special assessment bonds issued to extend Heather Lane and Warwick Drive. The bonds are backed by the full faith and credit of the City of Alma.



City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

The City of Alma reports the following major proprietary funds:

The State Street Plaza Fund accounts for the rental facilities owned and leased by the City.

The Transit Services Fund accounts for the activities of the demand response bus system operated by the City of Alma. The system is supported by federal, state, and local tax dollars and user fees.

The Wastewater Utility Fund accounts for the activities related to the collection and purification of wastewater.

The Water Utility Fund accounts for the activities related to water production, purification, and distribution.

The Solid Waste Disposal Fund accounts for the activities of collection and disposal of household waste, recyclables, and yard waste.

Additionally, the City of Alma reports the following fund types:

Internal Service Funds are used to account for public works services, fleet maintenance, equipment replacement, engineering services, information systems, accounting, retiree medical insurance, and buildings and grounds maintenance services provided to other departments on a cost reimbursement basis.

The Agency fund is used to collect and distribute State of Michigan, Gratiot County, Alma Public Schools, and Gratiot Isabella Regional Educational School District property tax monies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of Alma has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between the Water Fund, Wastewater Fund, the Solid Waste Fund and other functions and segments and payment in lieu of taxes from the Alma Housing Commission. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, including special assessments, 2) operating grants and contributions, and 3) capital grants and contributions. All taxes are reported as general revenue. Examples of program revenues include:

- Cemetery lot sales
- Building permits
- Cable franchise fees
- Fire protection services
- Park shelter reservation fees
- Charges for police accident reports

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City of Alma's policy to use restricted resources first. Unrestricted resources are used as they are needed.

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

(D) BUDGETS AND BUDGETARY ACCOUNTING

Under City Charter, the following budget procedures must be followed:

1. The fiscal year shall begin on July 1 and end on June 30th of each year.
2. The City Manager shall submit a proposed operating budget to the City Commission by April 20.
3. A public hearing must be held before the budget is adopted. The budget hearing must be properly noticed seven days before the hearing.
4. The City Commission must adopt the budget by resolution no later than June 1.

Formal budgetary integration is employed as a management control device for all funds except the Agency Fund, permanent funds and two special revenue funds, Law Enforcement Fund and Police and Fire Special Benefit Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriation budgets are adopted for the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds. All annual appropriations lapse at fiscal year-end. Project length financial plans are adopted for all Capital Project Funds. In addition, the City Commission approves budgets for two component units: the Alma Public Library and the Alma Downtown Development Authority.

Michigan Public Act 621 governs adoption and amendment of all budgets used by the City. The City was in compliance with Public Act 621 in fiscal year 2003-2004. Public Act 621 requires the City Commission to approve any revisions that alter the total expenditures of any fund. The budget for the General Fund is adopted at the activity level. All other budgets are approved at the fund level. The City Commission must approve any revision that alters the total expenditures above the legal level. For management purposes, the City develops a more detailed budget. The City Manager, or his designee, is authorized to transfer budgeted amounts within these functional areas.

Budgeted amounts are as originally adopted or as amended by the City Commission on June 22, 2004. For the year ending June 30, 2004, the differences in original budget to final budget are displayed in the following table.

Fund Type	Original Budget	Final Budget	Difference
General Fund	\$4,840,625	\$4,840,625	\$-0-
Special Revenue	1,977,290	1,977,290	-0-
Debt Service	186,600	186,600	-0-
Enterprise	2,960,126	2,960,126	-0-
Internal Service	2,314,898	2,314,898	-0-
Component Units	937,244	937,244	-0-
Joint Ventures	203,683	203,683	-0-

The General Fund budget was amended to transfer funds between activities but there was no net increase in the overall General Fund budget. Contingency activity was decreased by \$20,000 and both City Manager and Code Enforcement activities were increased by \$10,000. Several General Fund activities finished the fiscal year over the amended budget: Alma Public Access Studio was over budget by \$73, Elections activity was over budget by \$303, City Treasurer activity was over budget by \$4,578, Code Enforcement activity was over budget by \$3,528 and Interest and fiscal charges on debt was over budget by \$1,885.

(E) ENCUMBRANCES

Encumbrances represent commitments to unperformed contracts for goods and services. Encumbrances outstanding at year end lapse and are generally re-appropriated as part of the following year's budget.

(F) RECEIVABLES

Receivables have been recognized for all significant amounts due the City. No allowances have been made for uncollectible amounts because most delinquent receivables can be added to the tax roll and become a lien against the property.

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

(G) INVENTORIES AND PREPAID ITEMS

Inventories of proprietary funds are valued at lower of cost (first-in, first-out) or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(H) CAPITAL ASSETS

Capital assets include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks) and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Alma as tangible assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

Asset Class	Depreciable life
Land	N/A
Land improvement	10-20 Years
Buildings	10-40 Years
Equipment	5-20 Years
Vehicles	3-10 Years
Utility Systems	10-40 Years
Streets	25 Years
Bridges	25 Years
Sidewalks	50 Years
Library books	20 Years

(I) LONG-TERM LIABILITIES

In the government-wide financial statements, and fund financial statements of proprietary fund types long term debt and obligations are reported as liabilities in the applicable statement of net assets. Bond premiums, discounts, and issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements of governmental fund types, bond premiums, discounts, and issuance costs are reported in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

(J) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

(K) PROPERTY TAXES

City property taxes are assessed as of December 31 and attached as an enforceable lien on property as of July 1 of the following year. The taxes are due without penalty on or before September 15. Real property taxes not collected as of March 1 are turned over to Gratiot County for collection. The County advances the City 100% of the delinquent taxes on real property. The City Treasurer is responsible for collecting delinquent personal property taxes, delinquent property taxes on leased land and delinquent industrial facilities property taxes. The City considers property taxes both measurable and available when they are levied on July 1 and recognizes property tax revenue at that time.

The City acts as a collection agent for Gratiot County, Alma Public Schools, and the Gratiot-Isabella Intermediate School District property taxes. Taxes collected on behalf of other units are remitted to those units following collection. The tax collections are received and distributed from an agency fund.

The City collects a 1% property tax administration fee.

(L) COMPARATIVE DATA

Comparative total data for the prior year have been presented in certain accompanying financial statements to provide an understanding of the changes in the City's financial position and operation. However, to facilitate ease of reading, comparative data (i.e. presentation of prior year's data by fund type) have not been displayed in each of the statements. Their inclusion would make the statements unduly complex.

(N) COMPENSATED ABSENCES

The City allows employees to accumulate unused sick leave to a maximum of 720 hours. Sick leave is paid only upon illness while in the employ of the City. Sick leave is not paid upon termination. No provision is made for non-vesting sick leave due to the uncertainty of actual amounts, which may eventually have to be paid.

Earned vacation leave is required to be used within two years of accrual with a maximum carryover of 120 hours. Earned vacation leave is paid upon termination. Accumulated unpaid vacation pay is accrued when incurred in the government wide financial statements and in proprietary fund financial statements. Governmental funds record a liability only if incurred as a result of employee resignations or retirements.

(O) DEPOSITS AND INVESTMENTS

Cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less at time of purchase. All investments are reported at fair value.

(P) RESTRICTED ASSETS

Certain proceeds of the Water Utility Fund's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

**NOTE 2 - CASH AND INVESTMENTS**

The City of Alma uses common checking accounts for several of the operating funds. Each fund's share of the cash balance is reported separately. Surplus funds are invested throughout the year. The City allocates interest earnings in relation to the average cash balance of each fund. Investments are carried at cost as declines in fair values are considered temporary except for investments where the term is for more than twelve months or in the case of mutual funds. Investments in long term investments and mutual funds are recorded at fair value.

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

(A) DEPOSITS

Following an Attorney General Opinion, the City restricts its deposits to banks, savings and loan associations or credit unions having their principal office in the State of Michigan. The City Commission has authorized the following financial institutions as depositories for the City of Alma: Firstbank and all holding companies, Commercial Bank, Chemical Bank, National City Bank, Standard Federal Bank, Edward Jones Inc., First of America, Flagstar Bank, and Fifth Third Bank.

(B) INVESTMENTS

Under its investment policy, the City restricts its investments to bonds, bills, or notes of the United States; commercial paper rated prime; securities issued or guaranteed by agencies or instrumentalities of the United States; United States government federal agency obligation repurchase agreements composed of eligible collateral whose fair value must be maintained equal to or greater than amounts advanced, and with an undivided interest; bankers' acceptances; and mutual funds and investments pools that are composed entirely of the aforementioned investments that are legal for direct investment by a city.

(C) YEAR END DEPOSITS

At year-end, the deposits consisted of the following components:

	Carrying Amount			Total
	Primary Government	Component Units	Fiduciary Fund	
Bank deposits	\$5,897,405	\$1,357,875	\$221,621	\$7,476,901
Insurance risk retention escrow	29,708	-	-	29,708
Petty cash	935	520	-	1,455
Cash and cash equivalents	5,928,048	1,358,395	221,621	7,508,064
Longer term CD's	4,858,033	307,706	58,214	5,223,953
Total Year End Deposits	\$10,786,081	\$1,666,101	279,835	\$12,732,017

Six hundred thousand dollars (\$600,000) of the bank deposits and certificates of deposit were covered by federal depository insurance, \$617,597 was collateralized but not insured, and \$11,113,357 was uncollateralized and uninsured. The bank balances are categorized below to give an indication of the level of risk assumed by the entity at year-end.

	Bank Balances	Carrying Amount
Primary Government		
Amount insured by the FDIC	\$570,198	\$570,155
Uncollateralized and uninsured	10,313,116	10,495,761
Total Primary Government	10,883,314	11,065,916
Component Units		
Amount insured by the FDIC	29,802	29,845
Collateralized but not insured	1,019,761	1,018,660
Uncollateralized and uninsured	600,009	617,596
Total Component Units	1,649,572	1,666,101
Total Reporting Entity	\$12,532,886	\$12,732,017

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

(D) YEAR END INVESTMENTS

The City's investments are categorized to give an indication of the level of risk assumed by the City of Alma at June 30, 2004:

Category 1 - Insured or registered investments, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty, its trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the counterparty, its trust department or agent but not in the City's name.

	Category 1	Carrying Amount	Fair Value
Primary Government			
U.S. Treasuries	\$ 177,948	\$ 177,948	\$ 177,948
Unclassified as to risk:			
GNMA Trust		101,369	101,369
Government Bond Fund		134,375	134,375
Total Primary Government	177,948	413,693	413,693
Total Reporting Entity	\$ 177,948	\$ 413,693	\$ 413,693
Plus Certificates of Deposits reported as investments			
Primary Government		4,858,033	4,858,033
Component Units		307,706	307,706
Fiduciary Fund		58,214	58,214
Total Certificates of Deposit reported as investments		\$ 5,223,953	\$ 5,223,953
Investments reported in statements			
Primary Government		5,271,726	5,271,726
Component Units		307,706	307,706
Fiduciary Fund		58,214	58,214
Total Investments reported in Statements		\$ 5,637,646	\$ 5,637,646

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

**NOTE 3 - PENSION PLANS**

**(A) Municipal Employees Retirement System of Michigan (MERS)**

The City of Alma has a defined benefit plan covering all full-time employees. The plan is operated by the Municipal Employees Retirement System (MERS), which is an agent multiple-employer retirement system. MERS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to:

Municipal Employees Retirement System of Michigan  
447 Canal Road  
Lansing, MI 48917

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Benefits vest after 10 years of service. Normal retirement is based on one of the following requirements:

1. Age 60 with 10 or more years of service.
2. Age 55 with 15 or more years of credited service.
3. Age 50 with 25 or more years of credited service.

Employees who retire after reaching the qualifying age and years of service are entitled to 2.25% of that member's 3 year final average compensation (FAC) times the number of years of credited service for that member.

The retirement allowance is reduced for employees who retire after reaching requirements two or three by .2 of 1% for each complete month that retirement proceeds the age of 60. Police officers may retire at age 55 with 25 or more years of service without having the retirement allowance reduced. Pension provisions include allowances whereby an employee may terminate employment with the City after accumulating 10 years of service but before reaching age 60 (age 55 or 50 in certain cases). If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed above.

Pension provisions include death and disability benefits. A disabled employee is entitled to full benefits after acquiring 10 or more years of credited service. A surviving spouse is entitled to receive 85% of the employee's straight-line life allowance. Children are entitled to 50% of the straight life allowance.

Funding Policy. For the non-union employees, the City Commission has established an employee contribution rate of 5.5% of gross wages to maintain the system. Under an agreement negotiated with the police union, the unionized employees also contribute 5.5% of the employee's gross wages towards the maintenance and operation of the pension program.

Actuarial Assumptions. The actuarial information presented in the required supplementary information was based on the assumptions included below:

Variable	Assumption
Valuation Date	December 31, 2003
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage; open
Amortization period	30 years
Asset valuation method	5-year smoothed market
Investment rate of return	8%
Projected salary increases*	8.66% to 4.5%
* Includes inflation at	4.5%
Cost-of-living adjustments	None

Annual Pension Cost. For year ended June 30, 2004 the City's annual pension cost was zero for the plan. Due to the funding status with the accelerated funding credit, the City made no contribution during the fiscal year. The pension numbers included are based on the December 31, 2003 actuarial report. Three-year trend information is presented on the next page:

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

	Fiscal year beginning July 1,		
	2001	2002	2003
Annual required contribution (ARC)	\$ 92,514	\$ 66,846	\$ 49,956
Accelerated Funding Credit	92,514	66,846	49,956
Net required contribution	-0-	-0-	-0-
Percentage of ARC contributed	NA	NA	NA
Net pension obligation	-0-	-0-	-0-
	Calendar year ending December 31,		
	2001	2002	2003
Actuarial value of assets	\$ 14,526,113	\$ 14,457,361	\$ 14,988,769
Actuarial Accrued Liability	\$ 12,784,316	\$ 13,541,206	\$ 14,174,229
Excess Funding	\$ 1,741,797	\$ 916,155	\$ 814,540
Funded ratio	113.6%	106.8%	105.7%
Covered payroll	\$ 2,773,660	\$ 2,798,598	\$ 2,807,398
Excess as a percentage of Covered Payroll	62.8%	32.7%	29.0%

**(B) Police Defined Contribution Plan**

The Police Defined Contribution Plan is a defined contribution pension plan administered by the ICMA Retirement Corporation through MERS. All full-time sworn union police officers hired after July 28, 1997 received the defined contribution plan instead of the defined benefit plan. As of June 30, 2004, seven officers were participating in the defined contribution plan. Under the contract agreement, the employees contribute 4.65% of gross compensation and the City contributes 5.85% of gross compensation. Over the past year, the employees contributed \$12,070 and the City contributed \$15,185 to the plan. Plan provisions and contribution requirements are established through negotiation between the City and the police unions. The plan can be amended by mutual agreement of the City and the unions.

**Executive Retirement Plan**

The City Manager had previously been excluded from MERS retirement plan, and was covered by the Executive Retirement Plan, a 401A defined contribution pension plan administered by the ICMA Retirement Corporation. The City Manager could make voluntary contributions to the plan. The City contributed 12.25% of gross compensation to the plan. In FY2004, the City contributed \$6,982 to the Executive Retirement Plan. With the selection of a new City Manager, the Alma City Commission has decided to include the City Manager position in the MERS retirement plan.

**Middle Tier Police Officers Plan**

The Middle Tier Police Officers Plan is a 401A defined contribution plan administered by the ICMA Retirement Corporation. This plan covered all full-time police officers that were hired by July 27 1997 and had less than 20 years of service and were not age 50 or older. This is a supplemental pension plan that is not currently receiving contributions from either the employees or the City. Plan provisions and contribution requirements are established through negotiation between the City and the police unions. The plan can be amended by mutual agreement of the City and the unions.

**NOTE 4 - OTHER POST-EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 3, the City provides post-employment benefit options for health care to eligible retirees and their dependents. The eligibility criteria include employee age, vesting in the pension system and disability status. The retirees of the police union participate under the terms of the union contract. The general employee retirees receive the benefit as part of the personnel policy approved by the City Commission. The City funds the benefits on a pay as you go basis. Eligible employees are required to pay the premium for their portion of the costs. There are 28 retirees and 14 dependents currently eligible. Expenses for post-retirement health benefits are recognized, as insurance premiums are due. Retirees pay the cost of their health plan.



City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

**NOTE 5 - CAPITAL ASSETS**

A summary of changes in governmental activity capital assets including internal service fund capital assets are as follows:

Governmental Activities	June 30, 2003	Additions	Deletions	June 30, 2004
Land	\$ 1,851,137	-0-	-0-	\$ 1,851,137
Construction in process	-0-	31,212	-0-	31,212
Assets held for resale	295,019	-0-	(295,019)	-0-
Capital assets not being depreciated	2,146,156	31,212	(295,019)	1,882,349
Land Improvements	1,121,021	-0-	-0-	1,121,021
Streets and bridges	13,211,407	406,456	-0-	13,617,863
Sidewalks	966,195	29,718	-0-	995,913
Buildings	1,890,473	81,403	(35,709)	1,936,167
Equipment	1,855,472	160,308	(18,094)	1,997,686
Vehicles	1,949,608	165,495	(121,957)	1,993,146
Capital assets being depreciated	20,994,176	843,380	(175,760)	21,661,796
Less: Accumulated depreciation				
Land improvement	(323,530)	(56,625)	-	(380,155)
Streets and bridges	(4,778,823)	(544,715)	-	(5,323,538)
Sidewalks	(171,312)	(19,949)	-	(191,261)
Buildings	(1,165,440)	(60,431)	34,517	(1,191,354)
Equipment	(1,332,299)	(171,601)	15,100	(1,488,800)
Vehicles	(1,225,597)	(132,729)	107,920	(1,250,406)
Total accumulated depreciation	(8,997,001)	(986,050)	157,538	(9,825,514)
Net capital assets being depreciated	11,997,175	(142,670)	(18,222)	11,836,282
Total Net Capital Assets	\$ 14,143,331	\$(111,458)	\$(313,242)	\$ 13,718,631

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activity	Amount
Economic Development	\$ 624
Community Safety	62,726
Property Maintenance	41,925
Transportation	564,969
Recreation and Cultural	65,823
Administrative	5,557
Internal service funds charged to above activities	244,426
Total depreciation expense-governmental activities	\$ 986,050

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

A summary of changes in capital assets for business-type activities is presented below:

Business-type activities	June 30, 2003	Additions	Deletions	June 30, 2004
Land	\$ 213,090	\$ -0-	\$ -0-	\$ 213,090
Construction in process	21,182	2,800	(13,064)	10,918
Capital assets not being depreciated	234,272	2,800	(13,064)	224,008
Land improvements	152,973	3,104	-0-	156,077
Buildings	4,658,131	30,608	(653)	4,688,086
Equipment	1,857,524	206,626	(143,687)	1,920,462
Utility Systems	6,582,330	255,440	(3,582)	6,834,189
Capital assets being depreciated	13,250,958	495,778	(147,922)	13,598,814
Total capital assets	13,485,231	498,579	(160,986)	13,822,823
Less: accumulated depreciation:				
Land improvements	(138,041)	(13,933)	-0-	(151,975)
Buildings	(3,852,613)	(128,074)	-0-	(3,980,687)
Equipment	(1,120,423)	(94,748)	45,515	(1,169,656)
Utility systems	(3,774,100)	(158,494)	-0-	(3,932,594)
Total accumulated depreciation	(8,885,178)	(395,249)	45,515	(9,234,912)
Net capital assets being depreciated	4,365,780	100,529	(102,407)	4,363,902
Total Net Capital Assets	\$ 4,600,053	103,330	\$ (115,471)	\$ 4,587,911

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

<u>Business-Type Activity</u>	<u>Amount</u>
State Street Plaza	\$ 29,943
Alma Transit	59,067
Wastewater Utility	136,785
Water Utility	168,793
Solid Waste Disposal	661
Total Business-type activity	\$ 395,249

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

Summaries of changes in capital assets for component units and joint ventures have been summarized in the tables below:

Alma Public Library

From FY 1992 to present, the additions to the library collection are actual historical cost. Prior to FY1992, the additions to the library collection are stated at estimated historical cost. A summary of the capital asset activity for the Alma Public Library is displayed in the table below:

Alma Public Library	June 30, 2003	Additions	Deletions	June 30, 2004
Land	\$ 25,000	\$ -0-	\$ -0-	\$ 25,000
Construction in Progress	22,222	39,243	-0-	61,465
Land Improvements	6,221	-0-	-0-	6,221
Buildings	417,336	-0-	-0-	417,336
Collection	810,028	39,233	-0-	849,261
Office furniture/equipment	204,830	-0-	-0-	204,830
Total, capital assets	1,485,637	78,476	-0-	1,764,113
Less: Accumulated depreciation				
Land Improvements	(363)	(311)	-0-	(674)
Buildings	(219,683)	(10,599)	-0-	(230,282)
Collection	(432,437)	(43,526)	-0-	(475,963)
Office furniture/equipment	(191,512)	(4,884)	-0-	(196,396)
Total accumulated depreciation	(843,995)	(59,320)	-0-	(903,315)
Net Capital Assets	\$ 641,642	\$ 19,156	\$ -0-	\$ 660,798

Gratiot Community Airport

A summary of the changes in capital assets associated with the Gratiot Community Airport is presented below:

Gratiot Community Airport	June 30, 2003	Additions	Deletions	June 30, 2004
Land	\$ 208,000	\$ -0-	\$ -0-	\$ 208,000
Capital assets not being depreciated	208,000	-0-	-0-	208,000
Land Improvements	52,184	-0-	-0-	52,184
Buildings	471,242	86,257	-0-	557,499
Equipment	40,976	-0-	-0-	40,976
Capital assets being depreciated	564,402	86,257	-0-	650,659
Less: Accumulated depreciation				
Land Improvements	(11,579)	(3,855)	-0-	(15,434)
Buildings	(306,082)	(14,578)	-0-	(320,660)
Equipment	(39,870)	(548)	-0-	(40,418)
Total accumulated depreciation	(357,531)	(18,981)	-0-	(376,512)
Net capital assets being depreciated	206,871	67,276	-0-	274,147
Total Net Capital Assets	\$ 414,871	\$ 67,275	\$ -0-	\$ 482,147

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

Alma Housing Commission

The summary of the changes in capital assets associated with Alma Housing Commission is presented below:

Alma Housing Commission	Business-type Component Units			
	June 30, 2003	Additions	Deletions	June 30, 2004
Land	\$ 190,556	\$ -0-	\$ -0-	\$ 190,556
Capital assets not being depreciated	190,556	-0-	-0-	190,556
Land improvements	561,538	22,979	-0-	584,517
Buildings	5,234,403	16,034	-0-	5,250,437
Equipment	141,648	7,189	-0-	148,837
Vehicles	87,710	-0-	-0-	87,710
Capital assets being depreciated	6,026,299	46,202	-0-	6,071,501
Total capital assets	6,215,855	46,202	-0-	6,262,057
Less: Accumulated depreciation				
Land improvements	(1,768)	(507)	-0-	(2,275)
Buildings	(2,658,888)	(218,937)	-0-	(2,877,825)
Equipment	(107,015)	(8,416)	-0-	(115,431)
Vehicles	(49,102)	(8,938)	-0-	(58,040)
Total accumulated depreciation	(2,816,773)	(236,798)	-0-	(3,053,571)
Net Capital Assets	\$ 3,399,082	\$ (190,596)	\$ -0-	\$ 3,208,486

**NOTE 6 - CHANGES IN LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2004:

	Water Revenue Bonds	General Obligation Bonds	Notes Payable	Compensated Absences
As of July 1, 2003	\$ 440,000	\$ 890,000	\$ 250,000	\$ 51,529
Additions	-0-	-0-	-0-	88,567
(Reductions)	(55,000)	(140,000)	(35,000)	(82,174)
As of June 30, 2004	\$ 385,000	\$ 750,000	\$ 215,000	\$ 57,922

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

Long-term debt at June 30, 2004 is comprised of the following individual issues:

Business-type Activities:

	Balance at July 1, 2003	Additions	(Deductions)	Balance at June 30, 2004	Due within one year
<b>Business-type Activities</b>					
\$750,000 1995 Water System Revenue Bonds. Bonds due in annual installments of \$55,000 to \$75,000 through May 1, 2010; interest at 4.7% to 5.4%. The Statement of Net Assets also includes accrued interest of \$3,316 and \$4,581 in unamortized bond discount.	\$ 440,000	-0-	\$ (55,000)	\$385,000	\$ 55,000
Less deferred bond discounts	(5,344)	-0-	763	(4,581)	(763)
<b>Total Business-type Activities</b>	<b>434,656</b>	<b>-0-</b>	<b>(54,237)</b>	<b>380,419</b>	<b>54,237</b>

Governmental Activities:

Governmental Activities Primary Government	Balance as of July 1, 2003	Additions	(Deductions)	Balance as of June 30, 2004	Due within one year
\$375,000 - 2000 Installment Purchase Contract with National City Bank for the acquisition of property for the extension of Heather Lane; interest at 4.93%; General Fund	250,000	-0-	(35,000)	215,000	40,000
\$615,000 General Obligation Bonds Series 2000 A for street construction. Bonds due in annual installments of \$55,000 to \$85,000 through May 2009; interest 4.90% to 5.40; Debt Service Fund	440,000	-0-	(65,000)	375,000	65,000
\$675,000 Special Assessment Bonds, Series 2000 A for street and utility construction. Bonds due in annual installments of \$75,000 through May 2009; interest 4.90% to 5.40%; City has pledged full faith and credit of the City; Debt Service Fund	450,000	-0-	(75,000)	375,000	75,000
Accrued compensated absences-Governmental Funds	51,529	88,567	(82,174)	57,922	57,922
<b>Total Primary Government</b>	<b>\$1,191,529</b>	<b>\$ 88,567</b>	<b>\$ (257,174)</b>	<b>\$1,022,922</b>	<b>\$237,922</b>

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

Component Units:

Component Units	Balance as of July 1, 2003	Additions	(Deductions)	Balance as of June 30, 2004
Downtown Development Authority- Compensated absences	\$ 353	\$ 1,926	\$ (842)	\$ 1,437
Public Library- Compensated absences	16,098	3,631	(252)	19,477
Housing Commission- Compensated absences	27,781	11,302	(7,126)	31,957
Total Component Units	\$ 44,232	\$16,859	\$ (8,220)	\$ 52,871

The annual requirements to pay future principal and interest are as follows:

Year Ending June 30,		Revenue Bonds	General Obligation Bonds	Special Assessment Bonds	Purchase Contract	Total
2005	Principal	55,000	65,000	75,000	40,000	235,000
	Interest	19,896	19,550	19,500	10,594	69,540
	Total	74,896	84,550	94,500	50,594	304,540
2006	Principal	60,000	70,000	75,000	40,000	245,000
	Interest	17,200	16,300	15,750	8,623	57,873
	Total	77,200	86,300	90,750	48,623	302,873
2007	Principal	60,000	75,000	75,000	45,000	255,000
	Interest	14,200	12,730	11,925	6,652	45,507
	Total	74,200	87,730	86,925	51,652	300,507
2008	Principal	65,000	80,000	75,000	45,000	265,000
	Interest	11,140	8,830	8,025	4,435	32,430
	Total	76,140	88,830	83,025	49,435	297,430
2009	Principal	70,000	85,000	75,000	45,000	275,000
	Interest	7,760	4,590	4,050	2,217	18,617
	Total	77,760	89,590	79,050	47,217	293,617
2010	Principal	75,000	-	-	-	75,000
	Interest	4,050	-	-	-	4,050
	Total	79,050	-	-	-	79,050
Total	Principal	385,000	375,000	375,000	215,000	1,350,000
	Interest	74,246	62,000	59,250	32,521	228,017
	Total	459,246	437,000	434,250	247,521	1,578,017

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions. In the governmental activities, compensated absences are generally liquidated by the General Fund.

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

**NOTE 7 -INTERFUND RECEIVABLES AND PAYABLES**

The receivables and payables between the primary government and the component units are as follows:

	Due from Component Units
General Fund – payroll	\$ 15,012
General Fund – internal service charges	1,469
General Fund – insurance	4,460
Administrative Services – insurance	4,475
	Due to Primary Government
Alma Housing Commission - payroll, insurance	\$ 23,483
Alma Public Library - internal service charges	1,469
Alma Housing Commission – insurance	464

During the year, the following transfers were made between funds and component units:

From General Fund	
To Major Street Fund - for construction	\$ 140,000
To Fire Fund - for operations	223,454
To Heather/Warwick GO Debt - for debt service	87,768
To Park Construction - for Phase IV Riverwalk	19,400
To Pine Avenue Extended - for construction	135,700
From Major Street Fund	
To Local Street Fund - for operations	80,000
From Heather/Warwick Extended Fund	
To Major Street Fund - closure of fund	33,581
From Cemetery Endowment Fund	
To General Fund - for operations	9,100
Total transfers between funds	<u>\$ 729,003</u>
From General Fund	
To Alma Public Library - for operations	\$ 269,641
To Downtown Development Authority - for operations	7,250
From Library Endowment Fund	
To Alma Public Library - for operations	11,450
Total transfers between primary and component units	<u>\$ 288,341</u>

**NOTE 8- RECEIVABLES**

Receivables including intergovernmental receivables as of year-end have been disaggregated in the table below. All funds with more than \$100,000 in receivable have been displayed individually. All other primary government funds other than the agency fund have been included. The agency fund had \$11 in interest receivable.

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

	General	Major Streets	Heather/ Warwick Special Assessments	Wastewater	Water	Other	Total
Taxes	\$58,854	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 14,259	\$73,113
Utilities	-0-	-0-	-0-	88,366	123,672	-0-	212,038
Accounts	101,491	7,053	-0-	8,829	2,105	103,470	222,948
Interest	4,068	719	52	2,167	236	6,845	14,088
Special Assessment	120,432	-0-	325,427	-0-	45,514	11,736	503,109
Agreements	92,074	46,295	-0-	65,554	-0-	3,499	207,422
Intergovernmental	391,749	142,043	-0-	11,918	-0-	77,849	616,559
Gross receivables	768,668	196,110	325,479	176,834	171,527	210,659	1,849,277
Doubtful accounts	(67,577)	-0-	-0-	-0-	-0-	-0-	(67,577)
Net total receivables	\$701,091	\$196,110	\$325,479	\$176,834	\$171,527	\$210,659	\$1,781,700

Delinquent utility bills are placed as a lien against the property and collected in the next year with the property taxes.

At the end of the fiscal year the following components of the receivables are not anticipated to be collected within one year in governmental funds:

	General Fund	Heather/Warwick Special Assessment	Other	Total
Delinquent Taxes	\$ 58,854	\$ -0-	\$ 14,259	\$ 73,113
Special Assessments	83,201	260,341	7,824	351,366
Development Agreements	86,828	-0-	53,918	140,746
Totals	\$ 228,883	\$ 260,341	\$ 76,001	\$ 565,225

#### NOTE 9 - RISK MANAGEMENT

The City is exposed to various risk of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City is a member of Michigan Municipal Risk Management Authority, a public entity risk pool of cities, counties, authorities, colleges and other local units of government. MMRMA had approximately 346 members as of June 30, 2004. The purpose of the Authority is to provide cooperative and comprehensive risk financing and risk control services for general and automotive liability, motor vehicle physical damage, and property; purchase or otherwise make other provisions for reinsurance, excess insurance or make other provisions for payment of losses and related expenses; and provide claims, legal defense and related general administrative services to members.

The Authority is governed by a nine member Board of Directors composed of local government representatives from the membership elected by the membership. The Board of Directors establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered to impose sanctions or terminate membership.



City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

The City's maximum retention on general liability and auto liability is \$75,000 per occurrence. The retention limit on auto physical damage is \$15,000 per unit and \$30,000 per occurrence after a \$1,000 deductible. The retention limits for property coverage are subject to a \$1,000 deductible with 10% of the first \$100,000 to be paid by the City. At June 30, 2004, the City had funds on deposit of \$29,708 with the Authority in the Member Risk Retention Fund. The City's member reserve for claims related to the City was \$9,000 at June 30, 2004. Claims have not exceeded coverage in any of the prior three fiscal years.

The City used a risk management program for risks associated with the employees' dental insurance program and for a portion of the deductible associated with health insurance program. For employees that selected the Plan B health insurance, the City self-funds the \$400 deductible. A premium is charged to each fund that accounts for full-time employees. The total cost allocated to each of the funds (allocation is based upon the percentage of each fund's current-year payroll of the City) is calculated using trends in actual claims experience. Liabilities of the program are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. All liabilities are considered current and have not been discounted. The maximum out of pocket cost for the City is \$1,000 for each eligible employee and qualified dependant. Liabilities include an amount for claims that have been incurred but not yet reported (IBNRs).

	Fiscal Year 2004	Fiscal Year 2003
Amount of claim liability at July 1	\$ 5,000	\$ 5,000
Incurred claims	5,190	57,330
Payment on claims	(5,190)	(57,330)
Other material items	-0-	-0-
Amount of claim liability at June 30	\$ 5,000	\$ 5,000

Claims have not exceeded insurance coverage in any of the prior three fiscal years. In FY2000, the City converted from a self-funded health insurance program to a traditional plan.

#### NOTE 10 - FUND EQUITY

At fiscal year end, the following portions of the fund equity were reserved in the following fund types:

Fund	Amount
General Fund -Reserve for prepaid expenses	\$30,998
Law Enforcement Fund - Unexpended drug forfeitures	602
Public Safety Employees Special Benefit Fund - Unexpended - Unexpended donations	430,955
Cemetery Endowment Fund - Permanent fund	404,951
Library Endowment Fund - Permanent fund	304,250
Combined Debt Service Funds	64,900

#### NOTE 11 - CONTINGENCIES AND COMMITMENTS

##### (A) GRANTS AND REIMBURSEMENTS

The City has received federal and state grants for specific purposes subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursement would not be material.

##### (B) POTENTIAL LITIGATION

At June 30, 2004 there are no pending legal actions against the City.

City of Alma, Michigan  
Notes to Financial Statements  
June 30, 2004

**(C) CONSTRUCTION COMMITMENTS**

At June 30, 2004, the City has no construction commitments.

**NOTE 12 – BUILDING PERMIT REVENUES AND RELATED EXPENDITURES**

Under Public Act 245 of 1999, permit fees for building construction must be restricted to the operation of the enforcing agency. For the fiscal year ending June 30, 2004, the City of Alma collected \$35,142 in building permit fees. For the same time period, the City expended \$124,069. The City subsidized the construction permit program with \$88,927.

**NOTE 13 – OPERATING LEASE AGREEMENTS**

The City currently has three operating lease agreements, all located in the State Street Plaza. The Secretary of State rents 2,314 square feet at a rate of \$1,000 per month. Their lease expires September 9, 2004. The Gratiot Health Systems and MMACC Public Access share a building. Gratiot Health Systems rents 4,225 square feet at a rate of \$1,903 per month and their lease expires on September 30, 2006. The MMACC Public Access rents 1,232 square feet at a rate of \$375 per month. Their lease expires on December 31, 2004.

Lease Period End	Cost	Accumulated Depreciation	Carrying Amount	Contingent Rentals for the Period
9/9/2004	\$ 436,611	\$ 240,834	\$ 195,777	\$ 3,000
9/30/2006	66,734	36,844	29,891	51,375
12/31/2004	19,460	10,743	8,716	2,250

**NOTE 14 – PERMANENT FUNDS**

The City of Alma has two permanent funds that were created by ordinance by the Alma City Commission. The Cemetery Endowment Fund receives half the proceeds from the sale of grave lots. The Library Endowment Fund was created through donations. The creating ordinances permit up to eighty percent of current interest revenue, excluding any gains or losses recorded to adjust investments to market, to be transferred to the designated activity. The Cemetery Endowment Fund earned \$11,382 in interest revenue in FY2004. Eighty percent, equaling \$9,100, was transferred to the General Fund for cemetery operations. The Library Endowment Fund earned \$14,316 in interest and dividends in FY2004. Eighty percent, equaling \$11,450, was transferred to the Alma Public Library for collection purchases. Transfer of funds was made prior to June 30, 2004.

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

In Capital Assets there were two prior year adjustments to Accumulated Depreciation which include \$42,113 increase in Streets and Bridges and \$1,429 increase in Sidewalks.

City of Alma  
Required Supplementary Information  
**Municipal Employees Retirement System**  
**Analysis of Funding Progress**  
1993-2003

The supplementary information required by Governmental Accounting Standard Board Statements 25 and 30 is presented in the table below:

Valuation Date December 31,	(1) Net Assets Available for Benefits	(2) Accrued Liabilities	(3) Percent Funded (1)/(2)	(4) Unfunded Actuarial Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded UAL as a Percent of Covered Payroll (4)/(5)
1993	7,287,281	6,727,222	108.33%	(560,059)	2,408,309	-23.26%
1994	7,766,771	7,094,841	109.47%	(671,930)	2,527,507	-26.58%
1995	8,503,110	7,526,432	112.98%	(976,678)	2,616,806	-37.32%
1996	9,307,603	8,132,241	114.45%	(1,175,362)	2,760,915	-42.57%
1997	10,278,637	8,571,457	119.92%	(1,707,180)	2,772,509	-61.58%
1998	11,416,160	9,480,714	120.41%	(1,935,446)	3,054,918	-63.36%
1999	12,976,559	10,045,692	129.18%	(2,930,867)	2,996,120	-97.82%
2000	13,947,137	11,798,166	118.21%	(2,148,971)	2,580,827	-83.27%
2001	14,526,113	12,784,316	113.62%	(1,741,797)	2,773,660	-62.80%
2002	14,541,361	13,541,206	106.77%	(916,155)	2,798,598	-32.74%
2003	14,988,769	14,174,229	105.75%	(814,540)	2,807,398	-29.01%

Total retired life liabilities are reflected above beginning in 1984. Actuarial assumptions were revised for 1984 and 1987 valuations. In 1993, the City implemented the MERS B-2 plan. In 2001, the City implemented the MERS B-3 plan. The information reported above is taken from The Report of the Forty Third Annual Actuarial Valuations: December 31, 2003 by Gabriel, Roeder, Smith and Company.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND FINANCIAL SCHEDULES



## MAJOR GOVERNMENTAL FUND

### DEBT SERVICE FUND

#### HEATHER/WARWICK SPECIAL ASSESSMENT BOND FUND

The City issued special assessment bonds with a pledge of full faith and credit of the City to pay for the private portion of the Warwick Drive and Heather Lane extension project. The bonds are repaid with special assessment collections.

City of Alma, Michigan  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Heather/Warwick Special Assessment Bonds  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		
<b>REVENUES</b>					
Charges for services	\$ 66,923	\$ 66,923	\$ 65,085	\$ (1,838)	\$ 82,325
Interest and dividends	28,801	28,801	24,555	(4,246)	29,428
Total revenues	<u>95,724</u>	<u>95,724</u>	<u>89,640</u>	<u>(6,084)</u>	<u>111,753</u>
<b>EXPENDITURES</b>					
Principal	75,000	75,000	75,000	-	75,000
Interest expense	23,250	23,250	23,212	(38)	26,888
Paying agent fees	175	175	-	(175)	-
Total expenditures	<u>98,425</u>	<u>98,425</u>	<u>98,212</u>	<u>(213)</u>	<u>101,888</u>
Net change in fund balance	(2,701)	(2,701)	(8,572)	(5,871)	9,865
Beginning fund balance	51,579	51,579	51,579	-	41,714
Ending fund balance	<u>\$ 48,878</u>	<u>\$ 48,878</u>	<u>\$ 43,007</u>	<u>\$ (5,871)</u>	<u>\$ 51,579</u>

## **NON MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are to record the expenditures associated with specific revenues that are legally restricted for specific purposes.

#### **LOCAL STREETS FUND**

Activity related to state shared gas and weight tax and grant revenue restricted to the maintenance of local streets has been recorded in the Local Streets Fund.

#### **ALMA FIRE DISTRICT**

The Alma Fire District Department provides fire control services to the City of Alma and contractually to five area townships. The activity related the Alma Fire District Department has been recorded in the Alma Fire District Fund.

#### **HOUSING IMPROVEMENT FUND**

Federal housing grants were used to make low interest loans to qualifying homeowners. Loan repayments and interest collections are reused for additional housing rehabilitation loans to citizens. Existing loans and new MSHDA grants are accounted for in the Housing Improvement Fund.

#### **PUBLIC SAFETY EMPLOYEES SPECIAL BENEFIT FUND**

Donations to and related interest income of the Public Safety Employees Special Benefit Fund are restricted to providing financial assistance to police officers and fire fighters who have suffered total disability or the dependents of those who have been killed in the line of duty while employed by the City.

#### **LAW ENFORCEMENT FUND**

This fund is used to account for monies and property confiscated under Federal law during drug law enforcement.

### **PERMANENT FUNDS**

Permanent funds are used to account for endowments where interest earnings may be used, but principal must remain intact.

#### **CEMETERY ENDOWMENT FUND**

This fund is used to account for principal and interest received for Riverside Cemetery maintenance. Eighty percent of the annual interest income is transferred to General Fund for maintenance.

#### **LIBRARY ENDOWMENT FUND**

This fund is used to account for donations received pursuant to adoption of ordinance number 465. Eighty percent of the annual interest income is transferred to Alma Public Library for collection acquisitions.

## DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for payment of general obligation bond principal and interest.

### GENERAL OBLIGATION STREET IMPROVEMENT

The reconstruction of Michigan Avenue was financed by an unlimited general obligation bond sale. A special millage is levied to repay the principal and interest on the bonds. The debt repayment activity for this bond issue is recorded in this fund.

### ALMA BUILDING AUTHORITY

The payment of principal and interest on Alma Building Authority issued bonds are accounted for in this fund.

### HEATHER/WARWICK GENERAL OBLIGATION BONDS

The City issued general obligation bonds to pay for its portion of the Warwick Drive and Heather Lane projects. This fund accounts for all related debt service activity.

## CAPITAL PROJECT FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

### PARK CONSTRUCTION PROJECT FUND

The Park Construction Project Fund records the development, improvement, and rehabilitation of City recreation areas. Local and state revenues have financed the current projects.

### WARWICK/HEATHER EXTENSION PROJECT FUND

The Warwick/Heather Extension Fund records revenues and expenditures associated with the construction of Warwick Drive and Heather Court west of Mary Court to Charles Avenue.

### PINE AVENUE EXTENSION PROJECT FUND

The Pine Avenue Extension Project Fund records the revenues and expenditures associated with the construction of Pine Avenue north of Warwick Drive. The revenues are assessments on developers and transfers from other funds.

### NEIGHBORHOOD STREET MILLAGE FUND

The Neighborhood Street Millage Fund is used to account for activities related to a special voted millage approved by the citizens of Alma for street maintenance.



City of Alma, Michigan  
**Combining Balance Sheet**  
Nonmajor Governmental Funds  
June 30, 2004

	<b>Special Revenue Funds</b>				
	<b>Local Streets</b>	<b>Alma Fire District</b>	<b>Housing Improvement</b>	<b>Public Safety Benefit Fund</b>	<b>Law Enforcement</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 154,745	\$ 210,177	\$ 23,238	\$ 203,525	\$ 307
Investments	149,129	202,548	22,394	226,192	295
Taxes receivable	1,539	-	-	-	-
Accounts receivable	-	-	3,499	-	-
Special assessments receivable	-	-	-	-	-
Interest receivable	288	529	57	1,238	-
Due from other governments	29,403	-	3,856	-	-
<b>Total assets</b>	<b>\$ 335,104</b>	<b>\$ 413,254</b>	<b>\$ 53,044</b>	<b>\$ 430,955</b>	<b>\$ 602</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 430	\$ 5,480	\$ 354	\$ -	\$ -
Accrued wages and vacation	9,910	-	-	-	-
Deferred revenue	1,539	-	-	-	-
<b>Total liabilities</b>	<b>11,879</b>	<b>5,480</b>	<b>354</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
Reserved	-	-	-	430,955	602
Unreserved	323,225	407,774	52,690	-	-
<b>Total fund balances</b>	<b>323,225</b>	<b>407,774</b>	<b>52,690</b>	<b>430,955</b>	<b>602</b>
<b>Total liabilities and fund balances</b>	<b>\$ 335,104</b>	<b>\$ 413,254</b>	<b>\$ 53,044</b>	<b>\$ 430,955</b>	<b>\$ 602</b>

Permanent Funds		Debt Service Funds			
Cemetery Endowment	Library Endowment	1993 GO Street Improvement	Alma Building Authority	Heather/ Warwick GO Bond	Park Construction Project
\$ 201,729	\$ 22,030	\$ 5,353	\$ 10,596	\$ 395	\$ 18
202,251	281,951	5,159	-	380	16
-	-	1,459	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
971	269	11	-	-	-
-	-	-	-	-	-
<u>\$ 404,951</u>	<u>\$ 304,250</u>	<u>\$ 11,981</u>	<u>\$ 10,596</u>	<u>\$ 775</u>	<u>\$ 34</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	1,459	-	-	-
<u>-</u>	<u>-</u>	<u>1,459</u>	<u>-</u>	<u>-</u>	<u>-</u>
404,951	304,250	10,522	10,596	775	-
-	-	-	-	-	34
<u>404,951</u>	<u>304,250</u>	<u>10,522</u>	<u>10,596</u>	<u>775</u>	<u>34</u>
<u>\$ 404,951</u>	<u>\$ 304,250</u>	<u>\$ 11,981</u>	<u>\$ 10,596</u>	<u>\$ 775</u>	<u>\$ 34</u>

City of Alma, Michigan  
**Combining Balance Sheet**  
Nonmajor Governmental Funds  
June 30, 2004

	<b>Capital Project Funds</b>			<b>Totals</b>
	<b>Warwick/ Heather Extended</b>	<b>Pine Avenue Extended</b>	<b>Neighborhood Street Millage</b>	<b>30-Jun-04</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 86,591	\$ 97,443	\$ 1,016,146
Investments	-	83,448	93,906	1,267,669
Taxes receivable	-	-	10,086	13,084
Accounts receivable	-	-	-	3,499
Special assessments receivable	-	11,736	-	11,736
Interest receivable	-	48	229	3,640
Due from other governments	-	-	-	33,259
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 181,823</b>	<b>\$ 201,664</b>	<b>\$ 2,349,033</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 6,264
Accrued wages and vacation	-	-	-	9,910
Deferred revenue	-	11,736	10,086	24,820
<b>Total liabilities</b>	<b>-</b>	<b>11,736</b>	<b>10,086</b>	<b>40,994</b>
Fund balances:				
Reserved	-	-	-	1,162,651
Unreserved	-	170,087	191,578	1,145,388
<b>Total fund balances</b>	<b>-</b>	<b>170,087</b>	<b>191,578</b>	<b>2,308,039</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 181,823</b>	<b>\$ 201,664</b>	<b>\$ 2,349,033</b>

City of Alma, Michigan  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
Nonmajor Governmental Funds  
For The Year Ended June 30, 2004

	<b>Special Revenue Funds</b>				
	<b>Local Streets</b>	<b>Alma Fire District</b>	<b>Housing Improvement</b>	<b>Public Safety Benefit Fund</b>	<b>Law Enforcement</b>
<b>REVENUES</b>					
Taxes	\$ 50,865	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	173,008	-	175,283	-	-
Charges for services	870	182,683	-	-	-
Fines and forfeits	-	-	-	-	936
Interest and dividends	2,756	4,780	280	3,304	26
Rent and other revenue	-	-	156,436	-	-
<b>Total revenues</b>	<b>227,499</b>	<b>187,463</b>	<b>331,999</b>	<b>3,304</b>	<b>962</b>
<b>EXPENDITURES</b>					
Current:					
Community development	-	-	363,234	-	-
Community safety	-	350,112	-	-	4,011
Transportation	222,671	-	-	-	-
Recreation and Culture	-	-	-	-	-
Capital	-	-	-	-	-
Debt Service	-	-	-	-	-
<b>Total expenditures</b>	<b>222,671</b>	<b>350,112</b>	<b>363,234</b>	<b>-</b>	<b>4,011</b>
Excess revenues over (under) expenditures	4,828	(162,649)	(31,235)	3,304	(3,049)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from	80,000	223,454	-	-	-
Transfers to	-	-	-	-	-
<b>Total other financing</b>	<b>80,000</b>	<b>223,454</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	84,828	60,805	(31,235)	3,304	(3,049)
Beginning fund balance	238,397	346,969	83,925	427,651	3,651
Ending fund balance	\$ 323,225	\$ 407,774	\$ 52,690	\$ 430,955	\$ 602

Permanent Funds		Debt Service Funds			
Cemetery Endowment	Library Endowment	1993 GO Street Improvement	Alma Building Authority	Heather/ Warwick GO Bond	Park Construction Project
\$ -	\$ -	\$ 1,663	\$ -	\$ -	\$ -
-	-	-	-	-	10,786
845	-	-	-	-	-
-	-	-	-	-	-
3,948	(2,586)	91	21	-	-
-	-	-	-	-	1,000
<u>4,793</u>	<u>(2,586)</u>	<u>1,754</u>	<u>21</u>	<u>-</u>	<u>11,786</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	11,450	-	-	-	-
-	-	-	-	-	31,212
-	-	-	-	87,830	-
<u>-</u>	<u>11,450</u>	<u>-</u>	<u>-</u>	<u>87,830</u>	<u>31,212</u>
<u>4,793</u>	<u>(14,036)</u>	<u>1,754</u>	<u>21</u>	<u>(87,830)</u>	<u>(19,426)</u>
-	-	-	-	87,768	19,400
(9,100)	-	-	-	-	-
<u>(9,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,768</u>	<u>19,400</u>
(4,307)	(14,036)	1,754	21	(62)	(26)
409,258	318,286	8,768	10,575	837	60
<u>\$ 404,951</u>	<u>\$ 304,250</u>	<u>\$ 10,522</u>	<u>\$ 10,596</u>	<u>\$ 775</u>	<u>\$ 34</u>

City of Alma, Michigan  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
Nonmajor Governmental Funds  
For The Year Ended June 30, 2004

	Capital Project Funds			Totals
	Warwick/ Heather Extended	Pine Avenue Extended	Neighborhood Street Millage	30-Jun-04
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 360,248	\$ 412,776
Intergovernmental revenue	-	-	-	359,077
Charges for services	-	3,912	-	188,310
Fines and forfeits	-	-	-	936
Interest and dividends	-	1,559	2,468	16,647
Rent and other revenue	-	-	-	157,436
<b>Total revenues</b>	<u>-</u>	<u>5,471</u>	<u>362,716</u>	<u>1,135,182</u>
<b>EXPENDITURES</b>				
Current:				
Community development	-	-	-	363,234
Community safety	-	-	-	354,123
Transportation	-	-	-	222,671
Recreation and Culture	-	-	-	11,450
Capital	-	18,210	267,413	316,835
Debt Service	-	-	-	87,830
<b>Total expenditures</b>	<u>-</u>	<u>18,210</u>	<u>267,413</u>	<u>1,356,143</u>
Excess revenues over (under) expenditures	<u>-</u>	<u>(12,739)</u>	<u>95,303</u>	<u>(220,961)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from	-	135,700	-	546,322
Transfers to	(33,581)	-	-	(42,681)
<b>Total other financing</b>	<u>(33,581)</u>	<u>135,700</u>	<u>-</u>	<u>503,641</u>
Net change in fund balances	(33,581)	122,961	95,303	282,680
Beginning fund balance	33,581	47,126	96,275	2,025,359
Ending fund balance	<u>\$ -</u>	<u>\$ 170,087</u>	<u>\$ 191,578</u>	<u>\$ 2,308,039</u>

City of Alma, Michigan  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Local Streets Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03
	Budgeted Amounts		Actual	Budget Variance	Actual
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 51,443	\$ 51,443	\$ 50,865	\$ (578)	\$ 48,165
Intergovernmental revenue	165,000	165,000	173,008	8,008	160,856
Charges for services	2,150	2,150	870	(1,280)	881
Interest and dividends	3,500	3,500	2,756	(744)	5,154
<b>Total revenues</b>	<b>222,093</b>	<b>222,093</b>	<b>227,499</b>	<b>5,406</b>	<b>215,056</b>
<b>EXPENDITURES</b>					
Engineering	-	-	1,818	1,818	7,900
Road and street maintenance	235,949	235,949	164,898	(71,051)	181,117
Grass and weed control	4,500	4,500	7,008	2,508	5,821
Traffic services	19,647	19,647	10,733	(8,914)	9,121
Winter maintenance	20,609	20,609	21,447	838	14,488
Administration	17,591	17,591	16,767	16,767	49,153
<b>Total expenditures</b>	<b>298,296</b>	<b>298,296</b>	<b>222,671</b>	<b>(58,034)</b>	<b>267,600</b>
Excess (deficiency) revenues over expenditures	(76,203)	(76,203)	4,828	63,440	(52,544)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from	80,000	80,000	80,000	-	64,000
<b>Net change in fund balance</b>	<b>3,797</b>	<b>3,797</b>	<b>84,828</b>	<b>81,031</b>	<b>11,456</b>
Beginning fund balance	238,397	238,397	238,397	-	226,941
<b>Ending fund balance</b>	<b>\$ 242,194</b>	<b>\$ 242,194</b>	<b>\$ 323,225</b>	<b>\$ 81,031</b>	<b>\$ 238,397</b>

City of Alma, Michigan  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Alma Fire District  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts		Actual	Budget Variance	
	Original	Final			
<b>REVENUES</b>					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 29,970
Charges for services	183,708	183,708	182,683	(1,025)	195,582
Interest and dividends	5,000	5,000	4,780	(220)	10,073
Rent and other revenue	-	-	-	-	1,280
Total revenues	<u>188,708</u>	<u>188,708</u>	<u>187,463</u>	<u>(1,245)</u>	<u>236,905</u>
<b>EXPENDITURES</b>					
Personnel	244,075	244,075	241,841	(2,234)	224,422
Operating and maintenance supplies	46,408	46,408	27,601	(18,807)	34,137
Professional and contractual services	6,000	6,000	1,809	(4,191)	9,213
Internal service charges	27,894	27,894	19,085	(8,809)	20,442
Communications and utilities	10,200	10,200	10,346	146	9,021
Insurance and fixed charges	67,000	67,000	48,053	(18,947)	59,268
Capital outlay	2,500	2,500	1,377	-	59,272
Total expenditures	<u>404,077</u>	<u>404,077</u>	<u>350,112</u>	<u>(53,965)</u>	<u>415,775</u>
Excess (deficiency) revenues over expenditures	<u>(215,369)</u>	<u>(215,369)</u>	<u>(162,649)</u>	<u>52,720</u>	<u>(178,870)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from	<u>223,454</u>	<u>223,454</u>	<u>223,454</u>	-	<u>217,754</u>
Net change in fund balances	8,085	8,085	60,805	52,720	38,884
Beginning fund balance	<u>346,969</u>	<u>346,969</u>	<u>346,969</u>	-	<u>308,085</u>
Ending fund balance	<u>\$ 355,054</u>	<u>\$ 355,054</u>	<u>\$ 407,774</u>	<u>\$ 52,720</u>	<u>\$ 346,969</u>



City of Alma, Michigan  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Housing Improvement Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
REVENUES					
Intergovernmental revenue	\$ 150,000	\$ 150,000	\$ 175,283	\$ 25,283	\$ 951
Interest and dividends	500	500	280	(220)	25
Rent and other revenues	500	500	156,436	156,436	50,678
Total revenues	151,000	151,000	331,999	180,999	51,654
EXPENDITURES					
Personnel	13,975	13,975	14,839	864	9,058
Operating and maintenance supplies	-	-	1,086	1,086	867
Professional and contractual services	-	-	-	-	111
Internal service charges	5,515	5,515	6,045	530	5,880
Communications and utilities	-	-	1,327	1,327	607
Insurance and fixed charges	2,707	2,707	4,231	1,524	2,656
Capital outlay	150,000	150,000	335,706	335,706	27,407
Total expenditures	172,197	172,197	363,234	191,037	46,586
Net change in fund balances	(21,197)	(21,197)	(31,235)	(10,038)	5,068
Beginning fund balance	83,925	83,925	83,925	-	78,857
Ending fund balance	\$ 62,728	\$ 62,728	\$ 52,690	\$ (10,038)	\$ 83,925

City of Alma, Michigan  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
 Budget and Actual  
 Public Safety Employees Special Benefit Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
REVENUES					
Interest and dividends	\$ -	\$ -	\$ 3,304	\$ 3,304	\$ 14,017
Net increase in fair value of investments			-	-	(2,519)
Rent and other revenue	-	-	-	-	100
Total revenues	-	-	3,304	3,304	11,598
EXPENDITURES					
Benefits to employees	-	-	-	-	-
Total expenditures	-	-	-	-	-
Net change in fund balance	-	-	3,304	3,304	11,598
Beginning fund balance	427,651	427,651	427,651	-	416,053
Ending fund balance	\$ 427,651	\$ 427,651	\$ 430,955	\$ 3,304	\$ 427,651

City of Alma, Michigan  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Law Enforcement Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
REVENUES					
Fines and forfeits	\$ -	\$ -	\$ 936	\$ 936	\$ 1,459
Interest and dividends	-	-	26	26	66
Total revenues	-	-	962	962	1,525
EXPENDITURES					
Drug enforcement	-	-	4,011	4,011	167
Total expenditures	-	-	4,011	4,011	167
Net change in fund balance	-	-	(3,049)	(3,049)	1,358
Beginning fund balance	3,651	3,651	3,651	-	2,293
Ending fund balance	\$ 3,651	\$ 3,651	\$ 602	\$ (3,049)	\$ 3,651

City of Alma, Michigan  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 1993 General Obligation Street Improvement Bond  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
REVENUES					
Taxes	\$ -	\$ -	\$ 1,663	\$ 1,663	\$ 82,560
Interest and dividends	-	-	91	91	616
Total revenues	-	-	1,754	1,754	83,176
EXPENDITURES					
Principal	-	-	-	-	140,000
Interest expense	-	-	-	-	7,140
Paying agent fees	-	-	-	-	18
Total expenditures	-	-	-	-	147,158
Net change in fund balance	-	-	1,754	1,754	(63,982)
Beginning fund balance	8,768	8,768	8,768	-	72,750
Ending fund balance	\$ 8,768	\$ 8,768	\$ 10,522	\$ 1,754	\$ 8,768

City of Alma, Michigan  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Alma Building Authority Bond Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
REVENUES					
Interest revenues	\$ -	\$ -	\$ 21	\$ 21	\$ 51
Total revenues	-	-	21	21	51
Net change in fund balance	-	-	21	21	51
Beginning fund balance	10,575	10,575	10,575	-	10,524
Ending fund balance	\$ 10,575	\$ 10,575	\$ 10,596	\$ 21	\$ 10,575

City of Alma, Michigan  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Warwick/Heather General Obligation Bonds  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
<b>REVENUES</b>					
Interest revenues	\$ -	\$ -	\$ -	\$ -	\$ 1
Total revenues	-	-	-	-	1
<b>EXPENDITURES</b>					
Principal retirement	65,000	65,000	65,000	-	60,000
Interest expense	22,775	22,775	22,830	55	25,920
Fiscal charges	400	400	-	(400)	-
Total expenditures	88,175	88,175	87,830	(345)	85,920
Excess (deficiency) revenues over expenditures	(88,175)	(88,175)	(87,830)	345	(85,919)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from	88,175	88,175	87,768	(407)	86,100
Net change in fund balance	-	-	(62)	(62)	181
Beginning fund balance	837	837	837	-	656
Ending fund balance	\$ 837	\$ 837	\$ 775	\$ (62)	\$ 837

## ENTERPRISE FUNDS

Enterprise Funds are used for operations that are financed and operated in a manner similar to private business enterprise where the intent of the City Commission is for the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City Commission has decided that periodic determination of net income is appropriate for accountability purposes.

### STATE STREET PLAZA FUND

The City owns rental property at the 200 block between State and Prospect Streets. The Plaza houses an intermodal transportation center for the Dial-A-Ride service and intercity bus service. The City purchased the plaza with assistance from the Michigan Department of Transportation. Under the terms of the original grant agreement, the plaza operations are maintained in a separate fund.

### ALMA TRANSIT FUND

The City runs a Dial-A-Ride service and an intercity bus depot. The Transit Services Fund is supported by user fees, a voted millage, state grants and federal grants.

### WASTEWATER UTILITY FUND

The Wastewater utility provides sewage collection and treatment systems to treat and dispose of all wastewater. The Wastewater Utility Fund is supported by user fees.

### WATER UTILITY FUND

The Water Utility Fund provides potable water for domestic, commercial and fire protection uses. The fund is supported through user fees and rent.

### SOLID WASTE DISPOSAL FUND

The Solid Waste Disposal Fund provides weekly collection and disposal of household refuse, recyclables and yard waste. The fund is supported through user fees.

City of Alma, Michigan  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
 Budget and Actual  
 State Street Plaza  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
<b>OPERATING REVENUES</b>					
Rent and other revenue	\$ 50,211	\$ 50,211	\$ 41,081	\$ (9,130)	\$ 63,287
Total operating revenues	50,211	50,211	41,081	(9,130)	63,287
<b>OPERATING EXPENSES</b>					
Buildings and grounds maintenance	28,094	28,094	19,857	(8,237)	18,254
Administration	3,326	3,326	3,285	(41)	2,700
Depreciation	30,000	30,000	29,943	29,943	29,456
Total operating expenses	61,420	61,420	53,085	21,665	50,410
Operating income (loss)	(11,209)	(11,209)	(12,004)	(30,795)	12,877
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest revenue	8,000	8,000	6,444	(1,556)	11,270
Total nonoperating revenue (expenses)	8,000	8,000	6,444	(1,556)	11,270
Change in net assets	(3,209)	(3,209)	(5,560)	(2,351)	24,147
Beginning net assets	996,630	996,630	996,630	-	972,483
Ending net assets	\$ 993,421	\$ 993,421	\$ 991,070	\$ (2,351)	\$ 996,630



City of Alma, Michigan  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
 Budget and Actual  
 Transit Services Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 72,660	\$ 72,660	\$ 66,534	\$ (6,126)	\$ 61,162
Total operating revenues	72,660	72,660	66,534	(6,126)	61,162
<b>OPERATING EXPENSES</b>					
Operations	336,192	336,192	362,461	26,269	356,705
Building and vehicle maintenance	58,385	58,385	49,323	(9,062)	57,951
Administration	109,056	109,056	123,186	14,130	116,678
Depreciation	70,000	70,000	59,067	(10,933)	45,270
Total operating expenses	573,633	573,633	594,037	20,404	576,604
Operating income (loss)	(500,973)	(500,973)	(527,503)	(26,530)	(515,442)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Taxes	138,905	138,905	139,917	1,012	132,580
Intergovernmental revenue	323,691	323,691	295,538	(28,153)	288,891
Interest and dividends	25,000	25,000	11,835	(13,165)	23,126
Rent and other revenue	14,800	14,800	5,501	(9,299)	27,488
Total nonoperating revenues (expenses)	502,396	502,396	452,791	(49,605)	472,085
Income (loss) before contributions	1,423	1,423	(74,712)	(76,135)	(43,357)
Capital grants	2,128,000	2,128,000	47,765	(2,080,235)	297,638
Change in net assets	2,129,423	2,129,423	(26,947)	(2,156,370)	254,281
Beginning net assets	1,398,241	1,398,241	1,398,241	-	1,143,960
Ending net assets	\$ 3,527,664	\$ 3,527,664	\$ 1,371,294	\$ (2,156,370)	\$ 1,398,241

City of Alma, Michigan  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
 Budget and Actual  
 Wastewater Utility Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
<b>OPERATING REVENUES</b>					
Licenses and permits	\$ 500	\$ 500	\$ 250	\$ (250)	\$ 250
Charges for services	720,000	720,000	708,643	(11,357)	674,937
	720,500	720,500	708,893	(11,607)	675,187
Total operating revenues					
<b>OPERATING EXPENSES</b>					
Plant operations and maintenance	212,423	212,423	213,335	912	204,252
Purification	151,685	151,685	173,744	22,059	216,138
Engineering	7,146	7,146	-	(7,146)	7,100
Industrial pre-treatment	9,087	9,087	5,505	(3,582)	5,339
Maintenance of mains	182,713	182,713	156,422	(26,291)	269,358
Administration	117,872	117,872	107,631	(10,241)	116,755
Customer accounting	62,753	62,753	62,689	(64)	49,962
Depreciation	138,000	138,000	136,785	(1,215)	137,127
	881,679	881,679	856,111	(25,568)	1,006,031
Total operating expenses					
Operating income (loss)	(161,179)	(161,179)	(147,218)	13,961	(330,844)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and dividends	40,000	40,000	23,588	(16,412)	44,170
Rent and other revenue	46,736	46,736	302	(46,434)	10,554
	86,736	86,736	23,890	(62,846)	54,724
Total nonoperating revenue (expenses)					
Change in net assets	(74,443)	(74,443)	(123,328)	(48,885)	(276,120)
Beginning net assets	3,000,446	3,000,446	3,000,446	-	3,276,566
Ending net assets	\$ 2,926,003	\$ 2,926,003	\$ 2,877,118	\$ (48,885)	\$ 3,000,446

City of Alma, Michigan  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
 Budget and Actual  
 Water Utility Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts		Actual	Budget Variance	
	Original	Final			
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,132,259	\$ 1,132,259	\$ 1,032,119	\$ (100,140)	\$ 1,032,079
Fines and forfeits	36,000	36,000	38,025	2,025	-
Rent and other revenue	26,000	26,000	33,526	7,526	31,408
Total operating revenues	<u>1,194,259</u>	<u>1,194,259</u>	<u>1,103,670</u>	<u>(90,589)</u>	<u>1,063,487</u>
<b>OPERATING EXPENSES</b>					
Plant operations and maintenance	149,225	149,225	160,329	11,104	143,866
Purification	189,307	189,307	212,869	23,562	206,580
Engineering	-	-	200	200	8,800
Maintenance of mains	246,209	246,209	237,770	(8,439)	254,002
Administration	135,476	135,476	129,803	(5,673)	127,862
Customer accounting	62,724	62,724	60,823	(1,901)	49,143
Depreciation	165,000	165,000	168,793	3,793	162,227
Total operating expenses	<u>947,941</u>	<u>947,941</u>	<u>970,587</u>	<u>22,646</u>	<u>952,480</u>
Operating income (loss)	<u>246,318</u>	<u>246,318</u>	<u>133,083</u>	<u>(113,235)</u>	<u>111,007</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and dividends	6,000	6,000	3,227	(2,773)	10,190
Interest expense and fiscal charges	(23,250)	(23,250)	(22,549)	701	(25,829)
Total nonoperating revenue (expenses)	<u>(17,250)</u>	<u>(17,250)</u>	<u>(19,322)</u>	<u>(2,072)</u>	<u>(15,639)</u>
Change in net assets	229,068	229,068	113,761	(115,307)	95,368
Beginning net assets	2,863,689	2,863,689	2,863,689	-	2,768,321
Ending net assets	<u>\$ 3,092,757</u>	<u>\$ 3,092,757</u>	<u>\$ 2,977,450</u>	<u>\$ (115,307)</u>	<u>\$ 2,863,689</u>

City of Alma, Michigan  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
 Budget and Actual  
 Solid Waste Disposal Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts		Actual	Budget Variance	
	Original	Final			
<b>OPERATING REVENUES</b>					
Charges for services	\$ 470,850	\$ 470,850	\$ 473,052	\$ 2,202	\$ 478,023
Total operating revenues	470,850	470,850	473,052	2,202	478,023
<b>OPERATING EXPENSES</b>					
Solid waste disposal	167,500	167,500	242,196	74,696	168,242
Yard waste and compost site	256,686	256,686	216,815	(39,871)	219,550
Administration	10,310	10,310	10,325	15	39,036
Customer accounting	37,007	37,007	30,978	(6,029)	31,311
Depreciation	700	700	659	(41)	660
Total operating expenses	472,203	472,203	500,973	28,770	458,799
Operating income (loss)	(1,353)	(1,353)	(27,921)	(26,568)	19,224
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and dividends	5,000	5,000	3,658	(1,342)	7,496
Total nonoperating revenue (expenses)	5,000	5,000	3,658	(1,342)	7,496
Change in net assets	3,647	3,647	(24,263)	(27,910)	26,720
Beginning net assets	418,774	418,774	418,774	-	392,054
Ending net assets	\$ 422,421	\$ 422,421	\$ 394,511	\$ (27,910)	\$ 418,774

## INTERNAL SERVICE FUNDS

The financing of selected goods and services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis are recorded in Internal Service Funds.

### ADMINISTRATIVE SERVICES FUND

General and administrative charges such as insurance, data processing, accounting and engineering are recorded in the Administrative Services Fund. The other funds are charged for their share of the administrative services.

### BUILDING AND GROUNDS MAINTENANCE FUND

All costs related to the building and grounds maintenance are accounted for in the Building and Grounds Maintenance Fund. Other funds are charged based on the number of hours of maintenance used.

### EQUIPMENT POOL AND CENTRAL GARAGE FUND

The equipment pool and central garage owns most of the vehicles and similar equipment. The fund charges rent to the other departments for use of the equipment. The fund also provides maintenance of equipment for non-participating funds in return for a charge for service. The municipal services department also operates through this fund. Other funds are charged at an hourly rate for maintenance services provided.

City of Alma, Michigan  
**Combining Statement of Net Assets**  
Internal Service Funds  
June 30, 2004, with Comparative Totals for June 30, 2003

	Administrative Services	Buildings and Grounds Maintenance	Equipment Pool and Central Garage	Totals	
				30-Jun-04	30-Jun-03
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 69,977	\$ 37,487	\$ 431,516	\$ 538,980	\$ 650,143
Investments	48,345	9,540	398,571	456,456	489,999
Receivables, net	21,721	5	969	22,695	15,901
Due from component units	4,475	-	-	4,475	6,685
Inventories	-	-	36,353	36,353	30,094
Prepaid expenses	20,957	-	-	20,957	44,389
Total current assets	<u>165,475</u>	<u>47,032</u>	<u>867,409</u>	<u>1,079,916</u>	<u>1,237,211</u>
Noncurrent assets:					
Land and land improvements	-	-	18,894	18,894	18,894
Buildings and improvements	-	147,044	464,915	611,959	551,329
Vehicles and equipment	689,948	11,467	2,208,238	2,909,653	2,737,237
Less accumulated depreciation	(563,384)	(32,755)	(1,725,008)	(2,321,147)	(2,191,443)
Total noncurrent assets	<u>126,564</u>	<u>125,756</u>	<u>967,039</u>	<u>1,219,359</u>	<u>1,116,017</u>
Total assets	<u>292,039</u>	<u>172,788</u>	<u>1,834,448</u>	<u>2,299,275</u>	<u>2,353,228</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	9,697	3,378	11,160	24,235	16,471
Accrued wages and vacation	27,818	16,394	5,610	49,822	52,561
Total liabilities	<u>37,515</u>	<u>19,772</u>	<u>16,770</u>	<u>74,057</u>	<u>69,032</u>
<b>NET ASSETS</b>					
Invested in capital assets net of related debt	126,564	125,756	967,039	1,219,359	1,116,017
Unrestricted	127,960	27,260	850,639	1,005,859	1,168,179
Total net assets	<u>\$ 254,524</u>	<u>\$ 153,016</u>	<u>\$ 1,817,678</u>	<u>\$ 2,225,218</u>	<u>\$ 2,284,196</u>

City of Alma, Michigan  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
Internal Service Funds  
For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Administrative Services	Buildings and Grounds Maintenance	Equipment Pool and Central Garage	Totals	
				30-Jun-04	30-Jun-03
<b>OPERATING REVENUES</b>					
Internal service charges	\$ 635,707	\$ 420,247	\$ 464,301	\$ 1,520,255	\$ 1,178,123
Equipment rent	-	-	542,639	542,639	564,841
Total operating revenues	<u>635,707</u>	<u>420,247</u>	<u>1,006,940</u>	<u>2,062,894</u>	<u>1,742,964</u>
<b>OPERATING EXPENSES</b>					
Accounting services	278,169	-	-	278,169	264,918
Information systems	95,228	-	-	95,228	121,555
Engineering	134,147	-	-	134,147	205,399
Buildings/grounds maintenance services	-	481,127	-	481,127	433,172
Public works services	-	-	487,645	487,645	-
Equipment maintenance	-	-	358,312	358,312	347,172
Administration	23,656	-	39,180	62,836	48,033
Retiree health insurance	1,236	-	-	1,236	29,175
Depreciation	67,050	5,751	171,625	244,426	200,290
Total operating expenses	<u>599,486</u>	<u>486,878</u>	<u>1,056,762</u>	<u>2,143,126</u>	<u>1,649,714</u>
Operating income (loss)	<u>36,221</u>	<u>(66,631)</u>	<u>(49,822)</u>	<u>(80,232)</u>	<u>93,250</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and dividends	955	872	9,037	10,864	25,042
Other revenue	-	-	10,390	10,390	10,047
Nonoperating revenues (expenses)	<u>955</u>	<u>872</u>	<u>19,427</u>	<u>21,254</u>	<u>35,089</u>
Change in net assets	37,176	(65,759)	(30,395)	(58,978)	128,339
Beginning net assets	217,348	218,775	1,848,073	2,284,196	2,155,857
Ending net assets	<u>\$ 254,524</u>	<u>\$ 153,016</u>	<u>\$ 1,817,678</u>	<u>\$ 2,225,218</u>	<u>\$ 2,284,196</u>

City of Alma, Michigan  
**Statement of Cash Flows**  
Internal Service Funds  
For the Year Ended June 30, 2004

	Administrative Services	Buildings and Grounds Maintenance	Equipment Pool and Central Garage	Totals	
				30-Jun-04	30-Jun-03
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 629,887	\$ 420,247	\$ 1,006,898	\$ 2,057,032	\$ 1,897,767
Payments to vendors	(111,214)	(39,895)	(215,802)	(366,911)	(754,451)
Payments to employees	(396,535)	(362,776)	(565,421)	(1,324,732)	(930,303)
Internal activity-payments to other funds	(17,830)	(15,128)	(79,656)	(112,614)	-
Other payments	(7,423)	(54,855)	(9,967)	(72,245)	-
Net cash provided (used) from operating	96,885	(52,407)	136,052	180,530	213,013
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital contributions	-	-	-	-	-
Acquisitions of capital assets	(34,279)	(7,062)	(321,287)	(362,628)	(311,994)
Proceeds from sales of capital assets	-	-	25,250	25,250	9,107
Net cash used for capital and related financing	(34,279)	(7,062)	(296,037)	(337,378)	(302,887)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends	955	1,090	10,097	12,142	25,196
Purchase of investments	(42,792)	26,779	49,556	33,543	270,747
Net cash provided (used) from investing	(41,837)	27,869	59,653	45,685	295,943
Net increase (decrease) in cash	20,769	(31,600)	(100,332)	(111,163)	206,069
Beginning cash balance	49,208	69,087	531,848	650,143	444,074
Ending cash balance	\$ 69,977	\$ 37,487	\$ 431,516	\$ 538,980	\$ 650,143
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income	\$ 36,221	\$ (66,631)	\$ (49,822)	\$ (80,232)	\$ 94,209
Depreciation expense	67,050	5,751	171,625	244,426	223,767
Change in assets and liabilities:					
Decrease in receivables	(5,820)	-	(42)	(5,862)	(3,816)
Decrease in inventory and prepaid expense	7,813	3,680	5,679	17,172	(17,181)
Increase in accounts payable	(8,379)	4,793	8,612	5,026	(83,966)
Net cash provided by operating activities	\$ 96,885	\$ (52,407)	\$ 136,052	\$ 180,530	\$ 213,013



City of Alma, Michigan  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
 Budget and Actual  
 Administrative Services Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
OPERATING REVENUES					
Internal service charges	\$ 721,375	\$ 721,375	\$ 635,707	\$ (85,668)	\$ 674,220
Total operating revenues	721,375	721,375	635,707	(85,668)	674,220
OPERATING EXPENSES					
Accounting	312,221	312,221	278,169	(34,052)	264,918
Information systems	137,673	137,673	95,228	(42,445)	121,555
Engineering	168,931	168,931	134,147	(34,784)	205,399
Administration	37,200	37,200	23,656	(13,544)	17,008
Retiree health insurance	(25,000)	(25,000)	1,236	26,236	29,175
Depreciation	59,000	59,000	67,050	67,050	31,860
Total operating expenses	690,025	690,025	599,486	(31,539)	669,915
Operating income (loss)	31,350	31,350	36,221	(54,129)	4,305
NONOPERATING REVENUES (EXPENSES)					
Interest and dividends	-	-	955	955	740
Nonoperating revenues (expenses)	-	-	955	955	740
Change in net assets	31,350	31,350	37,176	5,826	5,045
Beginning net assets	5,826	217,348	217,348	-	212,303
Ending net assets	\$ 37,176	\$ 248,698	\$ 254,524	\$ 5,826	\$ 217,348

City of Alma, Michigan  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
 Budget and Actual  
 Buildings and Grounds Maintenance Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
<b>OPERATING REVENUES</b>					
Internal service charges	\$ 477,170	\$ 477,170	\$ 420,247	\$ (56,923)	\$ 442,691
Total operating revenues	477,170	477,170	420,247	(56,923)	442,691
<b>OPERATING EXPENSES</b>					
Buildings and grounds maintenance	467,170	467,170	481,127	13,957	433,172
Depreciation	10,000	10,000	5,751	5,751	6,547
Total operating expenses	477,170	477,170	486,878	19,708	439,719
Operating income (loss)	-	-	(66,631)	(76,631)	2,972
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and dividends	1,000	1,000	872	(128)	4,621
Nonoperating revenues (expenses)	1,000	1,000	872	(128)	4,621
Change in net assets	1,000	1,000	(65,759)	(66,759)	7,593
Beginning net assets	(66,759)	218,775	218,775	-	211,182
Ending net assets	\$ (65,759)	\$ 219,775	\$ 153,016	\$ (66,759)	\$ 218,775

City of Alma  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
 Budget and Actual  
 Equipment Pool and Central Garage Fund  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
<b>OPERATING REVENUES</b>					
Charges for services	\$ 453,118	\$ 453,118	\$ 464,301	\$ 11,183	\$ 61,212
Equipment rental	525,000	525,000	542,639	17,639	564,841
Total operating revenues	978,118	978,118	1,006,940	28,822	626,053
<b>OPERATING EXPENSES</b>					
Facility maintenance	42,410	42,410	39,180	(3,230)	31,025
Municipal services	383,118	383,118	487,645	104,527	-
Equipment maintenance	329,586	329,586	358,312	28,726	347,172
Depreciation	175,000	175,000	171,625	(3,375)	161,883
Total operating expenses	930,114	930,114	1,056,762	126,648	540,080
Operating income (loss)	48,004	48,004	(49,822)	(97,826)	85,973
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and dividends	15,000	15,000	9,037	(5,963)	19,681
Gain on sale of fixed assets	16,000	16,000	10,390	(5,610)	10,047
Nonoperating revenues (expenses)	31,000	31,000	19,427	(11,573)	29,728
Change in net assets	79,004	79,004	(30,395)	(109,399)	115,701
Beginning net assets	1,848,073	1,848,073	1,848,073	-	1,732,372
Ending net assets	\$ 1,927,077	\$ 1,927,077	\$ 1,817,678	\$ (109,399)	\$ 1,848,073

## **AGENCY FUND**

Agency Funds are used to account for assets held by the City as an agency for individuals, private organizations other governments and/or funds.

### **GENERAL AGENCY FUND**

Monies collected on behalf of the City and other entities are received and disbursed through the General Agency Fund. The Gratiot Community Airport Commission is consolidated in the General Agency Fund. More detailed schedules of activity for the Gratiot Community Airport Commission are included in the footnotes. There is a section for the joint venture included after the combining statements for the City.

City of Alma, Michigan  
**Schedule of Changes in Assets and Liabilities**  
 Agency Fund  
 For The Year Ended June 30, 2004

	<u>Balance 6/30/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2004</u>
<b>ASSETS</b>				
Cash and investments	\$ 459,822	\$ 4,498,543	\$ (4,678,530)	\$ 279,835
Receivables	6	5		11
 Total assets	<u>\$ 459,828</u>	<u>\$ 4,498,548</u>	<u>\$ (4,678,530)</u>	<u>\$ 279,846</u>
 <b>LIABILITIES</b>				
Accounts payable	\$ 5,152	\$ 3,863,599	\$ (3,827,667)	\$ 41,084
Due to other governments	64,603	4,498,359	(4,436,477)	126,485
Due to joint venture	390,073	212,766	(490,561)	112,277
 Total liabilities	<u>\$ 459,828</u>	<u>\$ 8,574,724</u>	<u>\$ (8,754,705)</u>	<u>\$ 279,846</u>

## **COMPONENT UNITS**

### **ALMA DOWNTOWN DEVELOPMENT AUTHORITY**

The Alma Downtown Development Authority is responsible for the correction and prevention of the deterioration of the central business district, to encourage historic preservation, to authorize the creation and implementation of development plans within the business district and to promote the economic growth of the business district.

### **ALMA LOCAL DEVELOPMENT FINANCING AUTHORITY**

The Local Development Financing Authority is responsible for providing infrastructure improvements in Alma's industrial district.

### **ALMA PUBLIC LIBRARY**

The Alma Public Library receives revenues from the state, private donations, and penal fine distributions. The City of Alma, the primary government, also contributes to the Library.

### **ALMA HOUSING COMMISSION**

The Alma Housing Commission provides low income housing by operating subsidized low-income housing and rent vouchers.

City of Alma  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Downtown Development Authority  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03
	Budgeted Amounts		Actual	Budget Variance	Actual
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 22,500	\$ 22,500	\$ 22,394	\$ (106)	\$ 21,974
City of Alma contribution	30,603	30,603	7,250	(23,353)	3,000
Charges for services	-	-	-	-	510
Interest and dividends	400	400	296	(104)	520
Rent and other revenue	-	-	-	-	500
Total revenues	<u>53,503</u>	<u>53,503</u>	<u>29,940</u>	<u>(23,563)</u>	<u>26,504</u>
<b>EXPENDITURES</b>					
Personnel	20,460	20,460	23,694	3,234	19,274
Operating and maintenance	2,500	2,500	1,215	(1,285)	898
Contractual and professional	31,500	31,500	810	(30,690)	1,642
Internal service charges	3,779	3,779	3,780	1	3,360
Communications and utilities	250	250	93	(157)	185
Insurance and equipment rent	614	614	707	93	605
Total expenditures	<u>59,103</u>	<u>59,103</u>	<u>30,299</u>	<u>(28,804)</u>	<u>25,964</u>
Change in net assets	(5,600)	(5,600)	(359)	5,241	540
Beginning net assets	20,371	20,371	20,371	-	19,831
Ending net assets	<u>\$14,771</u>	<u>\$14,771</u>	<u>\$20,012</u>	<u>\$5,241</u>	<u>\$ 20,371</u>

City of Alma  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Local Development Financing Authority  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
REVENUES					
Interest and dividends	\$ 20,000	\$ 20,000	\$ 5,018	\$ (14,982)	\$ 8,498
Total operating revenues	20,000	20,000	5,018	(14,982)	8,498
EXPENDITURES					
Capital	-	-	519	519	-
Total expenditures	-	-	519	519	-
Change in net assets	20,000	20,000	4,499	(15,501)	8,498
Beginning net assets	460,231	460,231	460,231	-	451,733
Ending net assets	\$480,231	\$480,231	\$464,730	(\$15,501)	\$ 460,231



City of Alma  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual  
 Alma Public Library  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
<b>REVENUES</b>					
Intergovernmental	\$ 430,029	\$ 430,029	\$ 466,610	\$ 36,581	\$ 438,732
Charges for services	15,000	15,000	12,435	(2,565)	13,098
Interest and dividends	1,200	1,200	1,636	436	2,231
Rent and other revenue	3,300	3,300	32,212	28,912	5,288
Total revenues	449,529	449,529	512,893	63,364	459,349
<b>EXPENDITURES</b>					
Current:					
Facility maintenance	24,687	24,687	16,731	(7,956)	16,181
Library services	383,097	383,097	463,914	80,817	400,187
Capital:	104,800	104,800	39,243	(65,557)	22,222
Total expenditures	512,584	512,584	519,888	7,304	438,590
Excess (deficiency) of revenue over expenditures	(63,055)	(63,055)	(6,995)	56,060	20,759
Beginning net assets	179,330	179,330	179,330	-	158,571
Ending net assets	\$ 116,275	\$ 116,275	\$ 172,335	\$ 56,060	\$ 179,330

City of Alma, Michigan  
**Combining Statement of Net Assets**  
 Alma Housing Commission  
 June 30, 2004, with Comparative Totals for June 30, 2003

	Public Housing	Section 8 Vouchers	Section 8 New Construction	Totals	
				30-Jun-04	30-Jun-03
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 1,018,755	\$ 18,226	\$ 60,830	\$ 1,097,811	\$ 963,069
Investments	56,842	-	-	56,842	55,687
Receivables, net	-	-	14	14	43,454
Due from primary government	-	-	-	-	635
Due from other funds	-	-	529	529	-
Due from federal government	11,741	107,519	-	119,260	-
Prepaid expenses	11,722	-	-	11,722	15,810
Total current assets	1,099,060	125,745	61,373	1,286,178	1,078,655
Noncurrent assets:					
Land	122,656	-	67,900	190,556	190,556
Land Improvements	584,517	-	-	584,517	561,538
Buildings and Improvements	4,141,021	-	1,109,416	5,250,437	5,234,403
Equipment	124,173	-	24,664	148,837	141,648
Vehicles	87,710	-	-	87,710	87,710
Less accumulated depreciation	(2,179,391)	-	(874,180)	(3,053,571)	(2,816,773)
Total noncurrent assets	2,880,686	-	327,800	3,208,486	3,399,082
Total assets	3,979,746	125,745	389,173	4,494,664	4,477,737
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	18,710	199	6,151	25,060	24,036
Due to other governments	7,500	1,327	-	8,827	7,500
Due to primary government	16,036	-	7,911	23,947	34,335
Accrued wages and vacation	23,108	-	8,849	31,957	14,716
Total liabilities	65,354	1,526	22,911	89,791	80,587
<b>NET ASSETS</b>					
Invested in capital assets net of related debt	2,880,686	-	327,800	3,208,486	3,399,082
Unrestricted	1,033,706	124,219	38,462	1,196,387	998,068
Total net assets	\$ 3,914,392	\$ 124,219	\$ 366,262	\$ 4,404,873	\$ 4,397,150

City of Alma, Michigan  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
Alma Housing Commission  
For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Public Housing	Section 8 Vouchers	Section 8 New Construction	Totals	
				30-Jun-04	30-Jun-03
<b>OPERATING REVENUES</b>					
Rent	\$ 220,392	\$ -	\$ 76,037	\$ 296,429	\$ 322,792
Other revenue	-	-	-	-	18,689
Total operating revenues	<u>220,392</u>	<u>-</u>	<u>76,037</u>	<u>296,429</u>	<u>341,481</u>
<b>OPERATING EXPENSES</b>					
Administration	96,498	27,815	57,955	182,268	162,763
Tenant services	1,390	-	1,984	3,374	3,605
Utilities	70,236	-	28,026	98,262	90,143
Maintenance	150,239	2,851	60,472	213,562	163,673
Protective services	1,700	-	-	1,700	1,700
General expense	44,810	-	-	44,810	40,923
Payment in lieu of taxes	15,105	-	-	15,105	-
Housing assistance payments	-	200,477	-	200,477	190,971
Depreciation	192,660	-	44,138	236,798	204,974
Total operating expenses	<u>572,638</u>	<u>231,143</u>	<u>192,575</u>	<u>996,356</u>	<u>858,752</u>
Operating income (loss)	<u>(352,246)</u>	<u>(231,143)</u>	<u>(116,538)</u>	<u>(699,927)</u>	<u>(517,271)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Federal grants	289,287	279,921	111,700	680,908	511,230
Interest and dividends	7,883	81	245	8,209	16,364
Other nonoperating revenue	11,679	-	6,854	18,533	-
Nonoperating revenues (expenses)	<u>308,849</u>	<u>280,002</u>	<u>118,799</u>	<u>707,650</u>	<u>527,594</u>
Income (loss) before transfers	<u>(43,397)</u>	<u>48,859</u>	<u>2,261</u>	<u>7,723</u>	<u>10,323</u>
<b>TRANSFERS</b>					
Transfers from	34,365	-	-	34,365	-
Transfers to	-	-	(34,365)	(34,365)	-
Change in net assets	(9,032)	48,859	(32,104)	7,723	10,323
Beginning net assets	3,923,424	75,360	398,366	4,397,150	4,386,827
Ending net assets	<u>\$ 3,914,392</u>	<u>\$ 124,219</u>	<u>\$ 366,262</u>	<u>\$ 4,404,873</u>	<u>\$ 4,397,150</u>

## **JOINT VENTURE**

### **GRATIOT COMMUNITY AIRPORT**

The Gratiot Community Airport is a joint venture between the City of Alma and Gratiot County. The City maintains the accounting records for the joint venture.

## **JOINT OPERATION**

### **MID-MICHIGAN AREA CABLE COMMUNICATION CONSORTIUM**

The Mid-Michigan Area Cable Communications Consortium is a joint operation with communities in Gratiot County, Isabella County and Clare County. The consortium is responsible for negotiating, regulating, and overseeing cable and telecommunications issues in the region. The City maintains the accounting records for the consortium.

City of Alma, Michigan  
**Comparative Statement of Net Assets**  
 Gratiot Community Airport  
 June 30, 2004, with Comparative Totals for June 30, 2003

	30-Jun-04	30-Jun-03
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 49,039	\$ 83,306
Investments	47,260	72,626
Accounts receivable	29,510	8,863
Interest receivable	129	321
Due from other governments	16,071	-
Prepaid expenses	-	7,628
	<u>142,009</u>	<u>172,744</u>
Total current assets		
Noncurrent assets:		
Land	208,000	208,000
Land Improvements	52,184	52,184
Buildings and Improvements	557,499	471,242
Equipment	40,976	40,976
Less accumulated depreciation	(376,512)	(357,531)
	<u>482,147</u>	<u>414,871</u>
Total noncurrent assets		
Total assets	<u>624,156</u>	<u>587,615</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	2,853	842
	<u>2,853</u>	<u>842</u>
Total liabilities		
<b>NET ASSETS</b>		
Invested in capital assets	482,147	414,871
Unrestricted	139,156	171,902
	<u>\$ 621,303</u>	<u>\$ 586,773</u>
Total net assets		

City of Alma  
**Statement of Revenues, Expenditures and Changes in Net Assets**  
 Budget and Actual  
 Gratiot Community Airport  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June 30, 2004				Year Ended June-03 Actual
	Budgeted Amounts			Budget Variance	
	Original	Final	Actual		Actual
REVENUES					
Licenses and permits	\$ 200	\$ 200	\$ 200	\$ -	\$ 300
Intergovernmental	98,500	98,500	111,421	12,921	143,851
Interest and dividends	2,000	2,000	1,560	(440)	3,072
Rent and other revenue	48,823	48,823	55,125	6,302	58,864
Total operating revenues	149,523	149,523	168,306	18,783	206,087
EXPENDITURES					
Current:					
Facility maintenance	20,070	20,070	7,557	(12,513)	5,650
Winter maintenance	19,400	19,400	19,349	(51)	18,970
Airport operations	87,313	87,313	76,314	(10,999)	77,544
Capital	76,900	76,900	97,832	20,932	54,852
Total expenditures	203,683	203,683	201,052	(2,631)	157,016
Change in net assets	(54,160)	(54,160)	(32,746)	21,414	49,071
Beginning net assets	171,902	171,902	171,902	-	122,831
Ending net assets	\$ 117,742	\$ 117,742	\$ 139,156	\$ 21,414	\$ 171,902

City of Alma, Michigan  
**Comparative Statement of Net Assets**  
 Mid-Michigan Area Cable Communication Consortium  
 June 30, 2004, with Comparative Totals for June 30, 2003

	30-Jun-04	30-Jun-03
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 268,722	\$ 234,141
Investments	7,842	258,739
Accounts receivable	13,587	-
Interest receivable	12	534
Total current assets	<u>290,163</u>	<u>493,414</u>
Noncurrent assets:		
Buildings and Improvements	171,807	2,002
Equipment	240,894	79,222
Less accumulated depreciation	(65,452)	(48,090)
Total noncurrent assets	<u>347,249</u>	<u>33,134</u>
Total assets	<u>637,412</u>	<u>526,548</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,152	51,431
Due to primary government	36,498	-
Total liabilities	<u>37,650</u>	<u>51,431</u>
<b>NET ASSETS</b>		
Invested in capital assets	347,249	33,134
Unrestricted	252,513	441,983
Total net assets	<u>\$ 599,762</u>	<u>\$ 475,117</u>

City of Alma  
**Statement of Revenues, Expenditures and Changes in Net Assets**  
 Mid-Michigan Area Cable Communication Consortium  
 For The Year Ended June 30, 2004, with Comparative Totals for June 30, 2003

	Year Ended June-04 Actual	Year Ended June-03 Actual
<b>REVENUES</b>		
Licenses and permits	\$ 158,455	\$ 216,876
Interest and dividends	2,231	7,106
Rent and other revenue	50	1,000
 Total revenues	 <u>160,736</u>	 <u>224,982</u>
 <b>EXPENDITURES</b>		
Alma Public Access Studio		
Operations	36,498	35,100
Office rent	4,334	4,334
Mt. Pleasant Public Access Studio		
Operations	60,137	84,073
Office rent	18,405	18,000
Capital:	230,832	57,878
 Total expenditures	 <u>350,206</u>	 <u>199,385</u>
 Change in net assets	 (189,470)	 25,597
 Beginning net assets	 441,983	 416,386
Ending net assets	<u>\$ 252,513</u>	<u>\$ 441,983</u>



**SCHEDULE OF INDEBTEDNESS**

City of Alma, Michigan  
Schedule of Bond and Note Indebtedness

Enterprise Funds	Interest Rate	Date of Maturity	Outstanding as of June 30,	
			2004	2003
Water Utility Fund	4.80%	May 1, 2004	-	55,000
1995 Water Revenue Bonds	4.90%	May 1, 2005	55,000	55,000
Issued: December 12, 1995	5.00%	May 1, 2006	60,000	60,000
Original issue: \$750,000; The balance sheet includes \$3,756 of unamortized Discount.	5.10%	May 1, 2007	60,000	60,000
	5.20%	May 1, 2008	65,000	65,000
	5.30%	May 1, 2009	70,000	70,000
	5.40%	May 1, 2010	75,000	75,000
Total 1995 Water Revenue Bonds			385,000	440,000
Total Enterprise Funds			\$ 385,000	\$ 440,000

	Interest Rate	Date of Maturity	Outstanding as of June 30,	
			2004	2003
2000 General Obligation Street Improvement Bonds - Warwick Drive and Heather Lane	4.95%	May 1, 2004	-	65,000
Issued: February 1, 2000	5.00%	May 1, 2005	65,000	65,000
Original Issue: \$615,000	5.10%	May 1, 2006	70,000	70,000
	5.20%	May 1, 2007	75,000	75,000
	5.30%	May 1, 2008	80,000	80,000
	5.40%	May 1, 2009	85,000	85,000
Total 2000 GO Street Improvement Bonds			375,000	440,000

	Interest Rate	Date of Maturity	Outstanding as of June 30,	
			2004	2003
2000 Special Assessment Street Improvement Bonds - Warwick Drive and Heather Lane	4.95%	May 1, 2004	-	75,000
Issued: February 1, 2000	5.00%	May 1, 2005	75,000	75,000
Original Issue: \$675,000	5.10%	May 1, 2006	75,000	75,000
	5.20%	May 1, 2007	75,000	75,000
	5.30%	May 1, 2008	75,000	75,000
	5.40%	May 1, 2009	75,000	75,000
Total 2000 Special Assessment Street Bonds			375,000	450,000

	Interest Rate	Date of Maturity	Outstanding as of June 30,	
			2004	2003
2000 Installment Purchase Contract Right away Heather Lane	4.95%	May 1, 2004	-	35,000
Issued: November 9, 1999	5.00%	May 1, 2005	40,000	40,000
Original Issue: \$375,000	5.10%	May 1, 2006	40,000	40,000
	5.20%	May 1, 2007	45,000	45,000
	5.30%	May 1, 2008	45,000	45,000
	5.40%	May 1, 2009	45,000	45,000
	4.9273%	Annually	215,000	250,000
			\$ 965,000	\$ 1,140,000

Total Long-Term Bond and Note Debt - All Funds

\$ 1,350,000    \$ 1,580,000

**STATISTICAL SECTION**

City of Alma  
General Governmental Expenditures by Function  
1994-2004  
(Unaudited)

Fiscal Year	Community Development	Community Safety	Parks & Properties	Transportation	Cultural & Community	Legislative Service	Administrative Service	Capital Outlay	Debt Service	Total
1994	\$ 407,369	\$ 1,242,767	\$ 422,744	\$ 620,073	\$ 240,384	\$ 95,855	\$ 360,827	\$ 1,406,345	\$ 260,837	\$ 5,057,201
1995	299,229	1,259,010	476,642	684,539	194,219	94,935	466,124	582,264	265,620	4,322,582
1996	444,070	1,365,580	472,229	629,159	195,213	98,548	703,782	607,049	292,414	4,659,919
1997	456,297	1,478,204	538,527	638,581	234,931	111,539	287,104	607,773	262,673	4,615,629
1998	796,298	1,742,255	598,807	517,501	209,171	116,232	286,185	646,937	262,301	5,175,687
1999	525,064	1,802,625	742,992	785,741	279,912	120,283	298,846	493,028	282,123	5,330,614
2000	500,048	1,826,500	657,237	618,101	262,523	120,491	308,180	1,643,487	282,584	6,219,151
2001	560,563	1,504,491	628,855	1,054,500	246,457	86,826	298,798	861,218	512,362	5,754,070
2002	419,221	1,518,855	651,522	732,719	293,191	82,762	302,006	1,389,038	474,244	5,863,558
2003	447,458	1,562,344	650,498	665,737	321,509	85,601	376,379	428,232	384,196	4,921,954
2004	877,343	1,656,465	356,377	701,634	539,871	89,363	333,338	416,959	235,327	5,206,677

City of Alma  
Joint Ventures and Component Units Expenditures by Unit  
1993-2004  
(Unaudited)

Fiscal Year	Airport	L.D.F.A.	D.D.A.	Alma Public Library	Total
1994	\$ 122,042	\$ 132,400	\$ -	\$ 307,717	\$ 562,159
1995	94,475	129,550	-	351,814	575,839
1996	139,672	120,400	-	345,914	605,986
1997	110,942	108,400	98	432,542	651,982
1998	141,744	-	38,576	387,814	568,134
1999	101,616	-	12,786	445,185	559,587
2000	108,162	-	25,982	445,212	579,356
2001	111,174	11,045	26,250	427,549	576,018
2002	123,662	-	25,437	434,358	583,457
2003	157,015	-	25,964	438,590	621,569
2004	201,052	519	31,736	519,888	753,195

Notes:

(1) General Government includes General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(2) Source: City of Alma Comprehensive Annual Financial Reports

(3) In Fiscal Year 2001, the Fire Board was reclassified as City department and not as a joint venture.

City of Alma  
**General Governmental Revenues by Source**  
 1994-2004  
 (Unaudited)

Fiscal Year	Taxes	Licenses & Permits	Inter-Governmental	Charges For Services	Fines & Forfeitures	Miscellaneous	Total
1994	\$ 2,008,242	\$ 37,159	\$ 1,329,073	\$ 176,774	\$ 8,203	\$ 582,892	\$ 4,142,343
1995	2,292,483	39,695	1,509,510	214,759	12,052	416,229	4,484,728
1996	2,048,922	58,742	1,646,880	202,884	17,447	653,941	4,628,816
1997	2,255,669	76,065	1,761,486	214,013	26,441	795,995	5,129,669
1998	2,333,040	50,717	2,050,784	325,016	20,545	749,202	5,529,304
1999	2,433,711	55,026	2,093,398	232,876	25,277	552,916	5,393,204
2000	2,516,279	68,018	2,057,683	248,949	22,813	510,960	5,424,702
2001	2,519,686	77,680	2,097,884	228,185	22,576	650,079	5,596,090
2002	2,487,074	70,825	2,290,637	372,485	27,744	418,353	5,667,118
2003	2,359,704	79,163	1,946,776	369,841	33,099	437,842	5,226,425
2004	2,354,929	77,649	2,341,068	458,987	22,394	507,019	5,762,046

Notes:

(1) General Governmental includes General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(2) Source: City of Alma Comprehensive Annual Financial Reports

(3) In Fiscal Year 2001, the Fire Board was reclassified as City department and not as a joint venture.

(4) In Fiscal Year 2002, the Library Endowment Fund and the Cemetery Endowment Fund were classified as Permanent Fund instead of Nonexpendable Trust Funds

City of Alma  
Taxable Property Valuations  
1994-2004  
(Unaudited)

Fiscal Year	Real Property			Personal Property			Total		
	Assessed Value	Equalized Value	Taxable Value	Assessed Value	Equalized Value	Taxable Value	Assessed Value	Equalized Value	Taxable Value
1994	\$ 75,213,400	\$ 75,213,400	\$ -	\$ 27,582,900	\$ 27,582,900	\$ -	\$ 102,796,300	\$ 102,796,300	\$ -
1995	78,510,500	78,510,500	-	31,136,400	31,136,400	-	109,646,900	109,646,900	-
1996	79,604,200	79,604,200	79,604,041	32,506,700	32,506,700	32,506,700	112,110,900	112,110,900	112,110,741
1997	83,572,300	83,572,300	82,969,080	32,210,237	32,210,237	32,210,237	115,782,537	115,782,537	115,179,317
1998	97,766,900	97,766,900	90,198,201	33,801,600	33,801,600	33,801,600	131,568,500	131,568,500	123,999,801
1999	108,054,200	108,054,200	93,695,595	39,008,800	39,008,800	39,008,800	147,063,000	147,063,000	132,704,395
2000	112,751,600	112,751,600	95,954,929	35,918,900	35,918,900	35,915,027	148,670,500	148,670,500	131,869,956
2001	117,932,300	117,932,300	100,252,751	34,405,100	34,405,100	34,403,883	152,337,400	152,337,400	134,656,634
2002	121,002,500	121,002,500	103,755,637	28,094,200	28,094,200	28,094,122	149,096,700	149,096,700	131,849,759
2003	128,574,900	128,574,900	107,741,698	29,419,000	29,419,000	29,419,000	157,993,900	157,993,900	137,160,698
2004	136,101,800	136,101,800	114,136,528	24,759,600	24,759,600	24,759,600	160,861,400	160,861,400	138,896,128

Notes:

(1) Information taken from Gratiot County Equalization Reports.

(2) Ad valorem tax only, therefore, excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.

City of Alma  
**Property Tax Rates - Direct and Overlapping Governments**  
 (Per \$1,000 of Assessed Value)  
 1994-2004  
 (Unaudited)

Fiscal Year	City of Alma						Alma Public Schools	State Education	Gratiot County	Intermediate Schools	Total
	General	Streets	Debt	Capital Projects	Transportation	Total					
1994	12.130	0.870	0.320	2.5000	1.0000	16.8200	39.780	0	5.9800	2.6800	65.2600
1995	12.130	0.870	1.620	2.4145	0.9658	18.0003	39.000	0	5.6993	2.6130	65.3126
1996	12.130	0.870	1.260	2.4145	0.9658	17.6403	21.000	6.000	6.1993	2.6130	53.4526
1997	12.130	0.870	1.260	2.4145	0.9658	17.6403	21.000	6.000	6.1993	2.6130	53.4526
1998	12.130	0.870	1.260	2.4145	0.9658	17.6403	21.000	6.000	6.1993	2.6130	53.4526
1999	12.260	0.870	1.060	2.5000	0.9658	17.6558	21.000	6.000	6.1799	2.6081	53.4438
2000	12.260	0.870	0.900	2.4948	0.9638	17.4886	20.500	6.000	6.1446	2.5835	52.7167
2001	12.430	0.700	1.000	2.4948	0.9638	17.5886	20.500	6.000	6.1193	4.3691	54.5770
2002	12.430	0.700	1.000	2.4948	0.9638	17.5886	20.500	6.000	6.0837	4.3418	54.5141
2003	12.430	0.700	0.600	2.5000	0.9638	17.1938	20.400	6.000	6.2382	4.3326	54.1646
2004	12.780	0.350	0.000	2.4912	0.9604	16.5816	20.400	5.000	6.1851	4.3061	52.4728

Notes:

(1) Table in mills

(2) Source: Tax Warrants issued by City Assessor

City of Alma  
Ratio of Net General Bonded Debt to Assessed  
Value and Net Bonded Debt Per Capita  
1994-2004  
(Unaudited)

Fiscal Year	Population	Taxable Value	Equalized Value	Gross Bonded Debt	Bonded Debt Service Funds Available	Debt Payable from Enterprises	Net General Bonded Debt	Net Debt to Taxable Value	Net Debt to Equalized Value	Net Debt Per Capita
1994	9,034	\$ 102,796,300	\$ 102,796,300	\$ 2,074,200	\$ 287,773	\$ 64,200	\$ 1,722,227	1.68%	1.68%	\$ 190.64
1995	9,034	109,646,900	109,646,900	1,160,000	277,747	-	882,253	0.80%	0.80%	97.66
1996	9,034	112,110,900	112,110,900	2,190,000	210,644	750,000	1,229,356	1.10%	1.10%	136.08
1997	9,034	115,179,317	115,782,537	1,855,000	115,438	710,000	1,029,562	0.89%	0.89%	113.97
1998	9,034	123,999,801	131,568,500	1,615,000	119,397	670,000	825,603	0.67%	0.63%	91.39
1999	9,034	132,704,395	147,063,000	1,360,000	99,122	630,000	630,878	0.48%	0.43%	69.83
2000	9,034	131,869,956	148,670,500	1,740,000	92,107	585,000	1,062,893	0.81%	0.71%	117.65
2001	9,275	134,656,634	152,337,400	2,035,000	132,483	540,000	1,362,517	1.01%	0.89%	146.90
2002	9,275	131,849,759	149,096,700	1,655,000	125,523	490,000	1,039,477	0.79%	0.70%	112.07
2003	9,275	137,160,698	157,993,900	890,000	71,760	440,000	378,240	0.28%	0.24%	40.78
2004	9,275	138,896,128	160,861,400	750,000	64,900	375,000	310,100	0.22%	0.19%	33.43

Notes:

(1) Source: City of Alma Comprehensive Annual Financial Reports



City of Alma  
**Bond Coverage**  
 Water Bonds  
 1994-2004  
 (Unaudited)

Fiscal Year	Gross Revenue(1)	Direct Operating Expenses (2)	Net Revenue	Debt Service Requirements			Coverage
				Principal	Interest and Fees	Total	
1994	\$ 1,688,877	\$ 1,435,970	\$ 252,907	\$ 4,200	\$ 4,891	\$ 9,091	27.82
1995	1,707,421	1,459,053	248,368	-	-	-	NA
1996	1,018,462	922,043	96,419	-	18,467	18,467	5.22
1997	1,046,407	884,284	162,123	40,000	37,218	77,218	2.10
1998	1,049,339	886,285	163,054	40,000	35,745	75,745	2.15
1999	1,157,048	867,346	289,702	40,000	34,435	74,435	3.89
2000	1,063,335	855,319	208,016	45,000	32,193	77,193	2.69
2001	916,490	724,461	192,029	45,000	30,103	75,103	2.56
2002	1,006,997	702,715	304,282	50,000	28,149	78,149	3.89
2003	1,073,837	790,253	283,584	50,000	25,829	75,829	3.74
2004	1,106,897	801,793	305,104	55,000	22,549	77,549	3.93

Notes:

(1) Operating revenues plus interest.

(2) Operating expenses exclusive of depreciation.

(3) Source: City of Alma Comprehensive Annual Financial Reports

City of Alma  
Property Tax Levies and Collections  
1994-2004  
(Unaudited)

Fiscal Year	General	Streets	Debt Service	Capital Projects	Transportation	Total Tax Levy	Total Tax Collections	Percent Collected (1)
1994	\$ 1,155,843	\$ 86,999	\$ 30,593	\$ 239,008	\$ 95,603	\$ 1,608,046	\$ 1,604,877	99.80%
1995	1,246,919	89,433	166,530	248,202	99,260	1,850,344	1,848,629	99.91%
1996	1,333,516	95,644	138,519	265,439	106,176	1,939,294	1,938,518	99.96%
1997	1,362,646	97,733	141,542	271,236	108,495	1,981,652	1,978,360	99.83%
1998	1,396,035	100,128	145,012	277,884	111,153	2,030,212	2,027,780	99.88%
1999	1,520,325	107,886	131,447	310,017	119,766	2,189,441	2,183,690	99.74%
2000	1,648,194	92,819	127,798	330,805	119,338	2,318,954	2,315,474	99.85%
2001	1,707,354	92,260	131,800	328,815	127,029	2,387,258	2,386,925	99.99%
2002	1,664,836	93,756	133,937	334,146	129,088	2,355,763	2,349,016	99.71%
2003	1,638,321	92,263	79,082	329,510	127,033	2,266,209	2,231,569	98.47%
2004	1,704,907	96,012	-	341,695	131,729	2,274,343	2,245,252	98.72%

Notes:

- (1) Gratiot County pays the City of Alma the full amount of the delinquent real property taxes upon settlement in March of each year.
- (2) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.
- (3) Source: City of Alma Finance Department

City of Alma  
**Ratio of Annual Debt Service Expenditures for General  
Bonded Debt to Total General Expenditures**  
1994-2004  
(Unaudited)

Fiscal Year	Principal	Fees and Interest	Total Debt Service	Total General Expenditures (1)	Ratio
1994	\$ 275,000	\$ 118,238	\$ 393,238	\$ 4,935,201	8.0%
1995	180,000	100,000	280,000	4,191,982	6.7%
1996	190,000	102,414	292,414	4,659,919	6.3%
1997	195,000	67,673	262,673	4,457,629	5.9%
1998	200,000	57,840	257,840	5,027,687	5.1%
1999	215,000	47,007	262,007	5,111,991	5.1%
2000	190,000	36,394	226,394	6,009,558	3.8%
2001	335,000	108,167	443,167	5,544,477	8.0%
2002	330,000	41,726	371,726	5,612,598	6.6%
2003	275,000	32,848	307,848	4,921,954	6.3%
2004	140,000	22,768	162,768	4,900,208	3.3%

Notes:

(1) Includes General, Special Revenue, Debt Service, and Capital Projects Funds

(2) Source: City of Alma Comprehensive Annual Financial Reports

City of Alma  
**Computation of Legal Debt Margin**

June 30, 2004

(Unaudited)

Taxable Value		
Real Property		\$ 114,136,528
Personal Property		24,759,600
Industrial and Commercial Facilities (1)		<u>5,517,500</u>
 Total Taxable Value		 <u><u>\$ 144,121,727</u></u>
 Debt Limit		
10% of taxable value		\$ 14,412,173
 Amount of Debt Applicable to Debt Limit		
 Total Bonded Debt		 1,135,000
Less:		
Assets available for debt service		
Amount Available in Debt Service Funds	64,900	
Less: Amount in Special Assessment Funds	<u>(43,007)</u>	
Net assets available for debt service		21,893
 Special assessment bonds	375,000	
Revenue bonds	<u>375,000</u>	
 Total Deductions		 <u>(771,893)</u>
 Total amount of debt applicable to debt limit		 <u>363,107</u>
 Legal Debt Margin		 <u><u>\$ 14,049,066</u></u>

(1) Adjusted to Taxable Value Equivalent

City of Alma  
**Computation of Direct and Overlapping Debt**  
 June 30, 2004  
 (Unaudited)

	<b>Net Tax Debted Debt</b>	<b>Percent Applicable to City of Alma</b>	<b>Amount Applicable to the City of Alma</b>
City of Alma	\$750,000	100.0%	\$ 750,000
Alma Public Schools	29,790,000	54.39%	16,202,781
Gratiot-Isabella Intermediate Schools	560,000	8.28%	46,368
Gratiot County	<u>3,650,000</u>	19.2%	<u>699,705</u>
	<u><u>\$34,750,000</u></u>		<u><u>\$17,698,854</u></u>

**Notes:**

(1) Source: Municipal Advisory Council of Michigan

City of Alma  
Principal Taxpayers  
June 30, 2004  
(Unaudited)

Taxpayer	Type of Business	2003 Taxable Valuation (1)	Percent of Total Taxable Value (1)
Oxford Automotive	Automotive parts manufacturer	\$11,220,261	8.08%
Consumers Energy	Utility	7,977,000	5.74%
SPX Corp. Contech Division	Automotive parts manufacturer	4,463,500	3.21%
Valero Energy Corporation	Petroleum refinery	1,191,292	0.86%
Alma Products Holding	Automotive parts manufacturer	3,891,484	2.80%
Lear Corporation	Plastics manufacturer	3,488,500	2.51%
Bobenal Investments	Real Estate	2,553,143	1.84%
Terry Materials	Asphalt Materials	2,930,000	2.11%
Alma Partners	Real estate	1,540,609	1.11%
Broadmoor Apartments	Utility	<u>1,305,695</u>	0.94%
Total Principal Taxpayers		<u><u>\$40,561,484</u></u>	<u><u>29.20%</u></u>

Notes:

(1) Includes Real, Personal, and Industrial Facilities Assessment

(2) Source: City Assessor

City of Alma  
Construction and Property Value  
1994-2004  
(Unaudited)

Fiscal Year	Non-residential Construction		Residential Construction (1)		Equalized Value by Class (2)				Total
	Number of Units	Value	Number of Units	Value	Agricultural	Commercial	Industrial	Residential	
1994	29	\$ 2,675,926	122	\$ 3,130,960	\$ 109,800	\$ 21,034,200	\$ 31,704,200	\$ 49,948,000	\$ 102,796,200
1995	17	3,349,888	123	1,348,155	93,600	20,993,000	35,204,900	53,355,400	109,646,900
1996	26	5,337,472	114	1,380,514	94,800	21,517,000	36,751,200	53,747,900	112,110,900
1997	29	3,531,126	118	2,521,156	97,800	22,459,070	37,226,767	55,998,900	115,782,537
1998	24	1,844,662	121	2,083,428	102,100	23,153,290	36,833,900	61,322,700	121,411,990
1999	21	5,528,774	140	1,996,808	110,800	25,753,100	38,886,600	66,818,000	131,568,500
2000	33	2,064,156	148	3,979,150	119,600	28,309,700	43,863,000	74,770,700	147,063,000
2001	30	6,825,908	115	3,174,792	122,400	29,115,800	39,884,700	79,547,600	148,670,500
2002	22	2,224,497	116	785,183	124,900	30,399,900	37,687,100	84,250,400	152,462,300
2003	46	7,262,154	104	3,361,190	134,500	30,912,800	30,885,600	87,163,800	149,096,700
2004	45	5,066,390	123	1,412,352	141,600	32,326,600	33,212,600	92,313,100	157,993,900

Notes:

(1) Source: Building, Zoning and Code Enforcement Office  
Based on number of Building Permits issued

(2) Source: Assessor's equalization report

City of Alma  
**Special Assessment Billings and Collections**  
 1998-2004  
 (Unaudited)

<u>Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections from Taxpayer</u>	<u>Special Assessment Collections from Taxpayer and County Treasurer</u>
1998	\$ 3,912	\$ 3,548	\$ 3,912
1999	20,875	15,522	20,875
2000	104,021	84,356	104,021
2001	124,499	121,547	124,499
2002	102,423	90,613	102,423
2003	131,127	115,632	131,127
2004	138,120	124,743	138,120

Note: 1) Does not include assessments for noxious weeds, delinquent utilities or sidewalk repair.  
 2) For five years prior to fiscal year 1998, the City of Alma did not levy any special assessments.  
 3) Property owner has until March 1 to pay special assessment to the City Treasurer. After March 1, Gratiot County reimburses City and begins foreclosure process.



City of Alma, Michigan  
Community Profile  
(Unaudited)

**GEOGRAPHIC LOCATION:**

Alma is located in the center of the lower peninsula. Two major highways cross at Alma, US-27 running North and South, and M-46 running East and West.

Mt. Pleasant, Saginaw, Midland, Bay City, Lansing, St. Johns, Ithaca and St. Louis. All of these cities are within 50 miles of Alma.

**MILES FROM:**

Chicago 268	Cleveland 287	Toronto 342
Detroit 138	Indianapolis 307	Lansing 54

**POPULATION:**

	<u>Alma</u>	<u>County</u>
1950 Census	8,341	33,429
1960 Census	8,978	37,012
1970 Census	9,611	39,246
1980 Census	9,652	40,448
1990 Census	9,034	38,982
2000 Census	9,275	42,285

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Civilian Labor Force	19,300	19,525	18,950	20,100
Employed	18,400	18,575	17,850	18,775
Unemployed	900	950	1,100	1,325
Percent Unemployed	4.7%	4.9%	5.8%	6.6%

**CLIMATE**

Centrally located between the Great Lakes, weather average of the Lakes.

The highest temperature recorded here was 108 and the lowest was -22.

The average dates of the last freezing temperatures in the spring and the first in the fall are May 11 and October 4, respectively.

Precipitation is heaviest during the growing months, averaging 61% of the annual total during April to September.

Warmest Month: July	Average Maximum: 81.6	Average Minimum: 59.6
Coldest Month: January	Average Maximum: 24.4	Average Minimum: 10

Days Over 90F: 17 days	Below 0F: 7	Growing Season: 130 days
Average Annual Precipitation: 30.9 inches		Snow: 39.7 inches

## MUNICIPAL SERVICES

Form of City Government: Commission - Manager  
Police Department: 14 sworn officers, 2 civilian personnel  
Fire Department: 23 volunteer firefighters  
Major Streets 14.75 miles      Local Streets: 30.90 miles  
Bus System: Dial-A-Ride Bus Service 8 buses, 1 trolley  
Rubbish/Recycling Collection: City Contractor with once per week collection curbside  
Rubbish Disposal: Transfer station  
Comprehensive Plan & Citywide Zoning

## COMMUNITY LIVING

Number of Dwellings: 3,476      Owner Occupied: 63%  
Rental Housing Available: Yes      Rental Apts: Yes  
Public Housing: Senior - 159; Family - 230  
Number of Churches: 24 Protestant, 1 Catholic  
Synagogue Available: Yes, 19 miles      Mosque Available: Yes, 19 miles  
Number of Retail Establishments: 372  
Total Annual Wholesale Sales: \$137,629,000  
Number of Wholesale Establishments: 56  
Number Employed: 4,700

### Cost of Housing:

1. Rental Costs: \$325 - \$850
2. Homes by State Equalized Valuation (50% of market value)

0 -10,000	4
10,100 -20,000	275
20,100 -30,000	714
30,100 -40,000	532
40,100 -50,000	339
50,100 -60,000	180
60,100 -70,000	147
70,100 -80,000	98
80,100-100,000	73
100,100 - Up	57

## CITY AND LOCAL FACILITIES AND SERVICES

1. Nine city owned parks (102) acres
2. 18 tennis courts, 11 baseball/softball diamonds, 3 football fields, one 18 hole golf course (private country club), two 9 hole golf courses (open to public), 1 bowling alleys, (36 lanes) and numerous other recreational facilities.
3. Winter sports activities such as skiing, snowmobiling, and ice fishing are all within a short drive.
4. Alma College - 350 seat Dow Auditorium and Alma College Symphony.  
Heritage Center for the Performing Arts

5. One local theater and one playhouse.
6. Most major organizations, social and fraternal.
7. Alma Public Library with over 69,500 volumes.

#### NEWSPAPERS:

Two newspapers and two shoppers guide are distributed.

Alma Reminder - once a week (Monday) shoppers guide.  
 The Shopper - once a week (Monday) shoppers guide.  
 Gratiot County Herald - once a week (Thursday).  
 Morning Sun - daily news edition (6 days per week).

#### RADIO:

Two local radio stations:  
 WFYC - Alma  
 WMLM - St. Louis

#### MOTELS:

There are six motels located in the immediate area with 184 rooms.

#### MEDICAL FACILITIES:

Gratiot Community Hospital - 142 bed facility with 86 active medical staff along with 13 mid-level practioners and over 350 volunteers. This is one of the most completely equipped and staffed outstate facilities in Michigan

Gratiot County Mental Health Center - Full time staff of 84 and 28 part time, short term in-patient and out-patient programs.

Masonic Pathways Retirement Home and Hospital - 38 independent living units, 180 residential independent and assisted living rooms and 204 bed health care facility. Facilities for 422 patients.

#### EDUCATIONAL FACILITIES:

	Number	Enrollment	Teachers	
Elementary K-4	3	902		
Junior High 5-8	1	830	TOTAL	
High School	1	724	Teachers:	160
Parochial	1	145		
College or University				
Alma College		1,222		
Central Michigan University		17,967		
(located in Mt. Pleasant, 14 miles north on U.S. 27)				

## FINANCIAL INSTITUTIONS:

Institution	Home Office	Total Assets
FirstBank	Alma	\$235,000,000
Chemical Bank	Midland	3,700,000,000
Commercial Bank	Ithaca	243,620,000
Standard Federal	Troy	45,900,000,000
Gratiot Community Credit Union	Alma	17,200,000
GRACO Federal Credit Union	Alma	9,300,000

## TRANSPORTATION

Major Highways: N & S US-27 and E & W M-46 Bus Lines: 2

Bus Lines: 1

Rail Lines: 2

Trains per day: 2

Passenger Service: No

No. of Motor Freight Companies: 10 Local Terminals: 4

United Parcel Service: Yes

Nearest Airport: Gratiot Community Airport

Distance: 3 miles

Runway Length: 5,000 and 3,200 ft. Lighted: Yes;

Instrument Approach

Surface: Asphalt

Fixed Based Operator: Yes

Nearest Commercial Airport: MBS International, Saginaw

Name of Airlines: Northwest, United, American

Flights: 14

## UTILITIES

Electric:	Consumers Power Co.
Natural Gas:	Consumers Power Co.
Telephone:	Verizon
Water:	City of Alma (70% river, 30% well)
Plant Capacity:	4 million gallons per day
Daily Consumption:	(Min.) 1.2 million gallons
	(Max.) 2.0 million gallons
Storage Capacity:	Ground: 1 million gallons
	Elevated 500,000 gallons
Pressure in Mains:	(Min.) 50 lb. psi
	(Max.) 80 lb. psi
Wastewater Plant:	City of Alma
Capacity:	2.5 million gpd
Present Load:	2.0 million gpd

## INDUSTRIAL SITES

Number of Industrial Sites:	29
Total Acreage:	120 acres
Certified Industrial Park Available:	Yes

## MAJOR AREA EMPLOYERS

<u>Firm:</u>	<u>Product/Service</u>	<u>Employees</u>
ABC Fastener	Industrial Fastners	25
Alma College	Educational Institution	285
Alma Container Corp.	Boxes-corrugated & partiti	15
ADW Industries	Custom Machinery & handling material	9
Alma Iron & Metal	Steel svc. center/ scrap metal processing	33
Alma Products/Alma Piston	Motor vehicle parts	767
Alma Public Schools	Public Education	323
Alma Tire	Wholesale Tire and Retreading	23
American Boat Mfg.	Luxury fiberglass pontoon boats	6
City of Alma	City Government	115
Consumers Power Co.	Utility	128
Gratiot Community Hospital	Hospital	773
Highland Plastics	Plastic sheeting	23
Lear Corp.	Plastics products	199
Liquid Transport	Transportation of petroleum products	108
Liquidpak	Mfg. Flexible pouch pkg.	25
Masonic Pathways	Retirement community/Hospital	439
Medler Electric Company	Wholesale Electric	34
Mid-Michigan Industries	Rehab/sheltered workshop	15
Oxford Automotive	Automotive Stampings	317
Playbuoy Pontoon Mfg.	RV & Pontoon Boats	107
Production Machining	Automotive & steel casting machining	27
SPX/Contech	Aluminum castings	172
Terry Materials	Asphalt emulsion/asphalt cement	15
Traffic Management Services	Shipping, routing and logistics	16
Verizon	Telephone services	45

**SINGLE AUDIT**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 12, 2004

City Commission  
City of Alma  
Alma, Michigan 48801

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Alma, Michigan*, as of and for the year ended June 30, 2004, which collectively comprise the *City of Alma, Michigan's* basic financial statements and have issued our report thereon dated November 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the *City of Alma, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the *City of Alma, Michigan's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of *City of Alma, Michigan*, in a separate letter dated November 12, 2004.

This report is intended solely for the information and use of management, others within the organization, the City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Lohorn*





# REHMANN ROBSON

*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

November 12, 2004

City Commission  
City of Alma  
Alma, Michigan 48801

**Compliance**

We have audited the compliance of the *City of Alma, Michigan*, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The *City of Alma, Michigan's* major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the *City of Alma, Michigan's* management. Our responsibility is to express an opinion on the *City of Alma, Michigan's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the *City of Alma, Michigan's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the *City of Alma, Michigan's* compliance with those requirements.

In our opinion, the *City of Alma, Michigan*, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### Internal Control Over Compliance

The management of the *City of Alma, Michigan*, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the *City of Alma, Michigan's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Lohman*

CITY OF ALMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Approved Award Amount
U.S. Department of Housing and and Urban Development			
Passed through Michigan Department of Commerce			
H.O.M.E. Program	14.239	MSC-99-0767	\$ 300,000
Aquisition, Development and Resale	14.239		<u>155,544</u>
			<u>455,544</u>
Total passed through Michigan Department of Commerce			
Direct Programs			
Low Income Housing Assistance (2003)	14.850	MI121-001-03D	141,514
Low Income Housing Assistance (2004)	14.850	MI121-001-04D	148,904
Low Income Housing Program (Section 8 - New Construction)	14.850	MI28-8023-012	110,701
Public Housing - Comprehensive Improvement Assistance	14.852	MI33-P121-501-02	186,084
Section 8 Housing Voucher Program (Vouchers)	14.855	MI33-V121-010, -011	225,395
(Vouchers)	14.855	MI33-V121-008	<u>179,122</u>
			<u>991,720</u>
Total U.S. Department of Housing and Urban Development			<u>1,447,264</u>
U.S. Department of Transportation			
Passed through Michigan Department of Transportation			
Capital and Operating Assistance Grant	20.507	01-0003	54,161
Capital and Operating Assistance Grant	20.507	01-0528	172,604
Capital and Operating Assistance Grant	20.507	01-0004/Z2	55,690
Capital and Operating Assistance Grant	20.507	01-0004/Z43	55,445
Capital and Operating Assistance Grant	20.507	02-0004-Z6	676,751
Capital and Operating Assistance Grant	20.507	02-0004-Z8	55,713
Capital and Operating Assistance Grant	20.507	97-0247	<u>N/A</u>
RTAP (Rural Transit Assistance Program)	N/A		
			<u>1,070,364</u>
Total U.S. Department of Transportation			
U.S. Department of Justice, Community Oriented Policing COPS	16.710		<u>75,000</u>
Total Federal Financial Assistance			<u>\$ 2,592,628</u>

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Alma and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2: FEDERAL FUNDS

The schedule of expenditures of federal awards includes grant activity of the City of Alma that is reported as capital contributions with in the Enterprise Funds. The total funds reported as federal grants revenue is \$872,523 and the total federal funds reported as capital contributions is \$47,765.

Accrued (Deferred) Revenue 6/30/03	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/04
\$ 46,264	\$ 216,600	\$ 91,366	\$ 45,102	\$ -
-	-	126,325	130,181	3,856
46,264	216,600	217,691	175,283	3,856
11,416	70,757	82,173	70,757	-
-	-	74,034	85,775	11,741
-	-	110,701	110,701	-
-	-	3,600	3,600	-
-	-	155,869	263,388	107,519
18,623	120,442	77,303	58,680	-
30,039	191,199	503,680	592,901	119,260
76,303	407,799	721,371	768,184	123,116
84	51,260	85	1	-
89,529	181,606	89,529	-	-
1,632	55,794	-	-	1,632
2,390	475,028	16,954	13,985	(579)
7,619	7,619	44,965	47,765	10,419
-	-	41,796	44,883	3,087
1,825	4,356	3,126	2,041	740
103,079	775,663	196,455	108,675	15,299
8,997	19,198	42,309	43,429	10,117
<u>\$ 188,379</u>	<u>\$ 1,202,660</u>	<u>\$ 960,135</u>	<u>\$ 920,288</u>	<u>\$ 148,532</u>

**CITY OF ALMA, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

*Unqualified on  
financial statements*

Internal controls over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes      X   no

Reportable condition(s) identified not  
considered to be material weaknesses?

\_\_\_\_\_ yes      X   none reported

Noncompliance material to financial  
statements noted?

\_\_\_\_\_ yes      X   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes      X   no

Reportable condition(s) identified not  
considered to be material weaknesses?

\_\_\_\_\_ yes      X   none reported

Type of auditor's report issued on compliance  
for major programs:

*Unqualified*

Any audit findings disclosed that are required to  
be reported in accordance with Circular A-133,  
Section 510(a)?

\_\_\_\_\_ yes      X   no

**Identification of Major Programs**

**CFDA Number(s)**

**Name of Federal Program or Cluster**

14.850

Low Income Housing Assistance

14.855

Section 8 Housing Voucher Program

**CITY OF ALMA, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2004**

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Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**PRIOR YEAR FINDINGS**

None.



# REHMANN ROBSON

*Certified Public Accountants*

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November 12, 2004

To the City Commission  
City of Alma  
Alma, Michigan 48801

In planning and performing our audit of the general purpose financial statements of the *City of Alma* for the year ended June 30, 2004, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency.

During our audit, we found that the City's first grant under the Acquisition, Development and Resale Program was completed and that the last home was sold in February of 2004. The Michigan State Housing and Development Administration requires that a settlement report be submitted by the City in order to receive reimbursement under the grant. This was done for each of the homes at the time of the sale but the settlement report for the final home was not complete and it is necessary for the settlement to be revised and resubmitted to receive the final reimbursement. At the conclusion of the audit, the revised settlement had still not been submitted. We recommend that the City monitor the process more closely to ensure that the City receives all funds that are due under the grant.

This letter does not affect our report dated November 12, 2004, on the financial statements of the *City of Alma*.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various City personnel, and we will be pleased to discuss this in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendations.

We would like to thank the management and personnel for their support and assistance during our audit of the *City of Alma* for the year ended June 30, 2004.